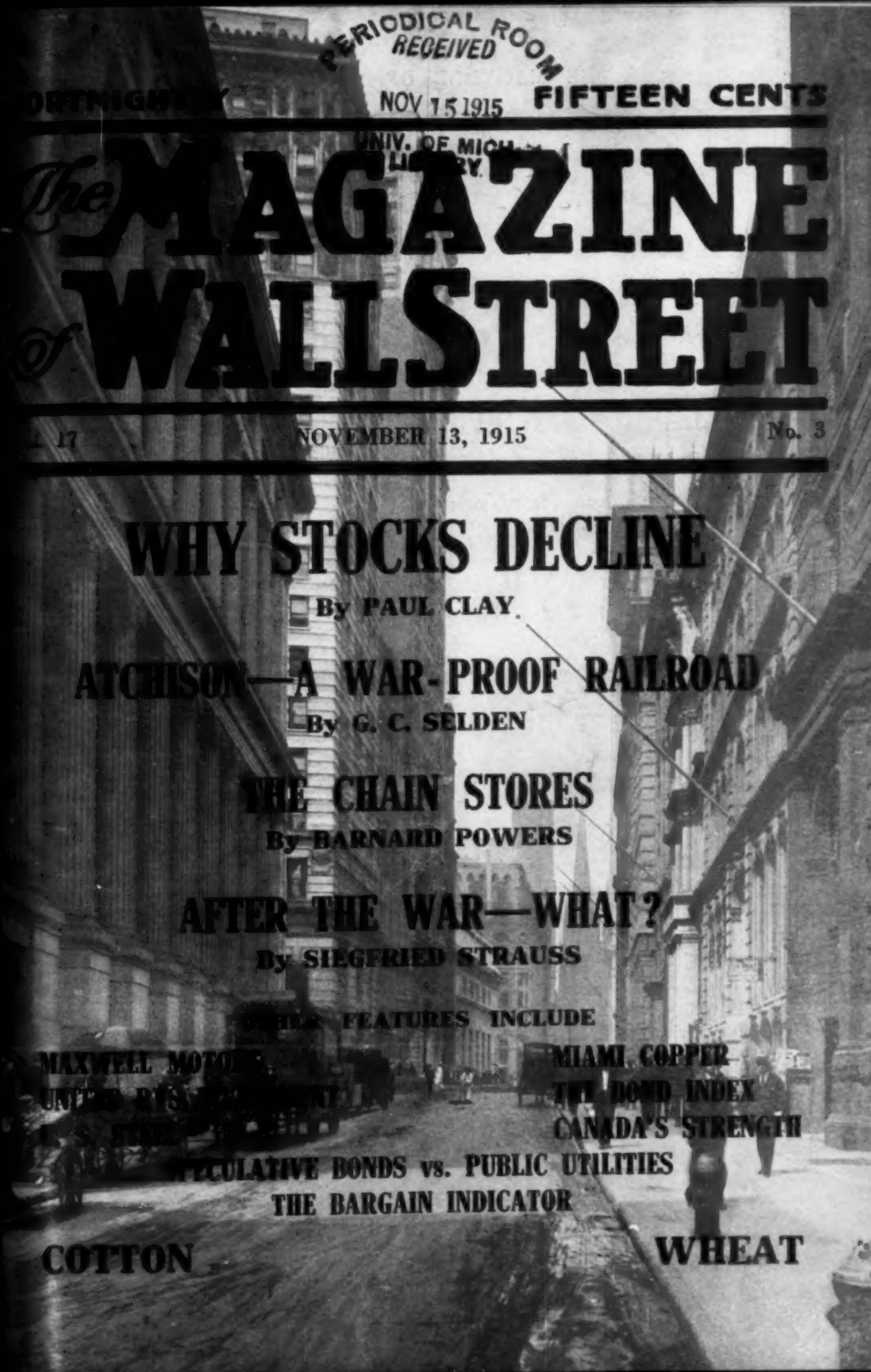

FORTNIGHTLY FIFTEEN CENTS

The MAGAZINE of WALL STREET

VOL. 17 NOVEMBER 13, 1915 No. 3

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THE MAGAZINE OF WALL STREET

A FEARLESS, FORWARD-LOOKING, FINANCIAL FORTNIGHTLY

Vol. Seventeen | NOVEMBER 13, 1915 | No. Three

A VERY IMPORTANT COMMUNICATION TO SUBSCRIBERS AND READERS OF THIS MAGAZINE.

THE market has recently given distinct evidence that an important turning point has been reached, and that a considerable recession is in order.

The average price of fifty standard stocks has practically doubled since the unofficial low levels were recorded last fall, when the Magazine of Wall Street unequivocally said "*Buy.*"

Prices of some issues have multiplied five to twenty times.

All the various phases of a genuine bull market have been emphatically demonstrated. The foundations were laid in the downward plunge of July, 1914—the "squeezing out" process while the Exchange was closed. Then followed four months of further accumulation and preparation. The marking up period began in April, was interrupted by the Lusitania incident in May, and resumed in July.

Since then we have witnessed the wildest fluctuations ever seen on the New York Stock Exchange. Bethlehem has risen from 30 to 600, General Motors from 30 to nearly 400, Crucible from 12 to 110. Others of actual or doubtful value have advanced 20 to 100 points. The great new public is loaded with stocks and is beginning to see that some of these stock market dolls are stuffed with sawdust. Holders are beginning to sell out on each other.

Leading stocks, such as Union Pacific and Great Northern, have risen to levels where they return less than 6 per cent. U. S. Steel, a non-dividend payer, has discounted a 5 or 6 per cent. rate. Activity in the Coppers and in the lowest grade of stocks is an indication of the culmination of this section of the boom.

The Magazine of Wall Street does not believe in the practice so generally followed in the Street by which people are told when to "get on" but are never told to "get off." Having advised the purchase of stocks in the panic of 1914, we feel obligated, under our own code, to advise when to sell.

We do not, nor does any one else in Wall Street, know what the future will bring forth. Stocks *may* go higher. But we feel confident that the stock market from now on will not be as one-sidedly bullish as it has been, and that there is a possibility that the high *average* prices for the year have been recorded.

Our advice to readers of this magazine is as follows:

Take your profits. Sell the stocks which you bought on our advice a year ago.

In case you have bought other stocks on your own initiative since, and they do not show profits, place stop orders three points below present prices, so that you cannot be indefinitely "hung up" with them.

Do not hesitate to take a loss. Do not try to sell at a definite figure. Many a man has lost a fortune because he tried to sell at *his* price instead of the *market* price.

Last fall it was time to be long of *stocks*. Now it is time to be long of *money*.

Regardless of future price fluctuations, I would like to see all of our subscribers long of money *now*.

(Signed) R. D. Wyckoff.

Monday, November 7, 1915.

P. S.—Should new developments bring fresh opportunities on the long side, purchases should be regarded not as investments, but as speculations. As such they should be protected by stops, two or three points from purchase prices, as insurance against the decline which sooner or later must follow such a great speculative wave.

THE OUTLOOK

Doubts About War Profits—Shifting of Interest—New Security Issues—Prospects for Stocks

Reactions in the War Stocks

THE sharp reaction which has recently occurred in the prices of war stocks ought to occasion surprise to a smaller number of persons than almost any other market phenomenon of the last few months. Never was a reaction more probable, so far as technical conditions were concerned.

For months these stocks had been bought in the most miscellaneous manner, by all classes of speculators but by hardly any genuine investors. The heavy margins required by all responsible brokers prevented the situation from becoming positively dangerous; but the need and propriety of an important reaction had been manifest for weeks before it occured.

The term "over-bought" has almost lost its meaning this year, because the war stocks have long continued to mount to yet dizzier heights after being greatly over-bought when judged by the standards customarily applied to other issues; yet the principle remains effective, though operating somewhat differently under new conditions.

The war stock speculator sometimes seems to forget that some investor has all along owned every share of the "explosives." How many of these patient holders have seized the present opportunity to get an undreamed-of profit cannot be exactly estimated, but without doubt the number is very large. In many of these issues the "floating supply" before the war was practically nil. It has now been tremendously enlarged and a good deal of it is in the hands of buyers on margin.

Amount of War Profits Unknown

THE doubtful feature throughout the whole of this war stock speculation has been the size of the companies' profits which would result from the orders. In regard to the orders themselves there has been very little doubt. While they have not in every case been equal to the biggest figures mentioned in Street gossip, they have been large enough to warrant sharp advances in the prices of war stocks.

But the amount of the profits likely to be derived from the big orders has been and to a great extent still is a matter of guess-work. Relatively high prices have been realized for the supplies and munitions sold, but expenses are also high, and as might be expected manufacturers inexperienced in this line of work have often encountered unforeseen difficulties and have had trouble in meeting specifications.

The statement of the Allis-Chalmers Company for the September quarter showed that net profits were over 10 per cent. on the sales. H. H. Westinghouse has said in regard to the war business of his company—which is very large—"It is expected that the net result will represent a substantial but not unusual manufacturing profit." This is about all the direct light that has yet been shed on the amount of the war profits to be expected.

Some have assumed that the great advances in the prices of war stocks indicate roughly the size of the profits of the companies—purchases being assumed to be for the account of insiders, who know the facts as to profits to be realized. But in a big public market, such as we have now had for several months, such an assumption is dangerous. In fact, it is well known that the officials of some of these companies unloaded their holdings when the rise had just begun, thinking themselves lucky to get the opportunity, and that they have since watched the wild flight of prices with unspeakable chagrin.

The Craze Has Probably Culminated

WITHOUT doubt many of the war stocks will continue to be the medium of an active speculation as long as the war lasts, but it will be based more on facts and less on sentiment. Heretofore the buying of these stocks has almost amounted to hysteria. The only thing necessary in order to make money has been to buy—buy anything. The less known about the actual profits of the company the better, apparently, were the chances of a wild advance.

Such buying as this is never "good," and it is only the unprecedented conditions superinduced by the world's greatest war that have prevented this wild speculation from coming to grief long ago. Since conditions were new, experience counted for little, and the big harvest in the war stocks has in an astonishing number of cases been reaped by tyros in speculation.

Old Favorites Coming to the Front

BETTER prices for copper metal, rapidly rising prices for steel and iron, a very substantial growth in railroad earnings and indubitable evidences of greater business activity throughout the country, have combined to shift the interest to a very considerable extent from the war stocks to securities of a more standard character. On some of the Eastern railroads freight earnings have been breaking all records. The crest of the crop movement has come in conjunction with a very heavy forward movement of war materials, so that the capacity of the roads is being taxed.

This has forced the roads into the market for equipment. They have followed their usual cautious policy of not buying much equipment until they were sure it was going to be needed. Now, with a number of the equipment companies busy on war orders, the roads are likely to have some difficulty in filling their requirements.

New Security Issues Increasing

OCTOBER saw the beginning of a movement which, if continued—as may naturally be expected—will have a very considerable effect on our security markets.

Issues of new securities have been growing smaller since 1912. In that year the total was $2,253,000,000, in 1913 $1,645,000,000, in 1914 $1,436,000,000; and for the first three-quarters of 1915 the aggregate was only $973,000,000.

This scarcity of new issues has necessarily worked strongly in favor of stocks and bonds already outstanding. Accumulating investment capital must find an outlet somewhere and if, owing to high interest rates and other causes, the output of new securities is small, capital must inevitably flow into the stocks and bonds already in existence.

The fund of capital for investment is always growing in any peaceful commercial nation. It may lie temporarily idle in the banks, but it will soon seek more profitable employment; and it is this quest for better returns that affords the fundamental basis for the bull market.

Throughout the period of the most rapid advance of prices, the market has met very little competition from new issues of securities. The total from May to September inclusive was only $371,000,000, an average of less than $75,000,000 a month, or at the rate of about $900,000,000 a year. This very slow absorption of capital by new issues continually diverted investors into the regular market.

October, however, saw a decided increase in new issues, the total for the month being $121,000,000, against $71,000,000 in September, and the general trend of events indicates that still greater gains are likely to be seen in subsequent months. In other words, our stock and bond markets can no longer count on being without competition from new securities.

Why Stocks Decline

Breaks in the Market Considered from the Viewpoint of Fundamentals—Is the Market Likely to React Further? What History and Precedent Show—Theory of the "Autumn Break"

By PAUL CLAY

WILL the market decline further? This is the question which everyone is asking. Most persons ask it with a cynical smile; for while the question is everywhere the same, there are different kinds of cynicism which go with it. That of the banker watching his collateral loans clouds the face with a diabolical grin which gives you the impression that the banker is in possession of some tragic secret of international finance which would make you shiver if you only knew it. The optimist is cynical in asking the question because he doubts if you are really intelligent enough to understand that business and investment conditions are so perfectly glorious that prices will not and cannot break. The cynicism of the professional trader results from his amusement in the expectation that everyone but himself is going to get caught in the slump; and the market tipster wears a lofty and knowing style of cynicism which plainly says that he knows, but you don't. No one can say for certainty, but there are indications and historical parallels on both sides, the study of which is not only interesting but instructive.

According to the economic theory of bull movements, the market ought not to break, until after the entire movement has reached top. It is mercantile business that produces these movements. Now, just as better trade conditions long continued produce the great upward swings of the market—so it is the temporary reactions in general business that produce most of the temporary declines or sharp breaks within a bull movement. We had ample illustration of this economic fact in the bull movement of 1908-1909. The first rise in the market from the panic level of November 21 to the high point of December 6 was principally on short covering. The real beginning of the bull movement was the January rise in 1908. General business was in its worst condition in December, 1907, and trade activity improved about 6 per cent. in January. In February and March, however, all sorts of commerce was very dull, and correspondingly stock prices fell about 11 points.

After that there were breaks in May and September lasting only a few days each, and due in both cases to an overbought condition of the market itself. But the big break took place from November 18 to December 21, and in fact the trend of stock prices remained downward until February 24, 1909. Accompanying this big break the activity of production and commerce, as disclosed by railroad earnings, bank exchanges, foreign commerce, mineral output and the like, showed a decrease from November to March of about 10 per cent. Then business revived and enjoyed a real boom which ended in November, 1909, and simultaneously the bull market ended.

Thus it appears that except when the market develops an overbought condition it seldom or never has a real break unless that break is caused and accompanied by a corresponding decrease in the general prosperity of the nation. The present prosperity is, of course, based upon war orders; and for this reason there is nothing to diminish it so long as the war is raging unabated. Every firm and corporation which can produce war materials or supplies of any kind is filled up with orders lasting clear into next spring. Hence a diminution of trade activity seems highly improbable; and reasoning from the theory of bull movements a considerable break in stock prices should

be likewise improbable. This is what we mean by saying that acording to economic theory there ought not to be any break.

But there are other arguments on the other side equally convincing. First among these is that the market thus far the past years, in spite of the war, has followed the seasonable tendency. The "seasonal tendency" is the aptitude of the market to respond to the seasonal movements of general trade. There are four such movements, namely, the fall boom, occurring in September to November, inclusive; the winter reaction, in January to March; the spring trade, taking place in April principally; and the summer dullness, from May to July or August. The autumn boom is caused by the harvesting and moving of the crops; the winter reaction is the inactivity which follows this harvesting movement; the spring trade is largely a distribution of retail goods; and the summer dullness represents the vacation season and the waitng to know the crop outcome.

Normally there are four parallel movements in the stock market, except that complete parallelism is impossible, because of the dearth of money during the crop moving season. Hence it is that the autumn boom in stocks instead of running into October or November usually takes place in July or August. The winter reaction, spring rise and summer reaction are approximately simultaneous in both mercantile business and stock prices. However, the stock market has two movements not based directly upon mercantile trade, but rather upon purely financial conditions. These two are, first, a decline occurring between the middle of October and the middle of December and caused by the high money rates which in turn are caused by the crop movement; and, second, a recovery dating generally from the middle of December until the middle of January.

Last year the market was closed until December; but the regular January rise took place from the opening of the Exchange in December until January 21. The regular winter reaction occurred between January 21 and February 24. The spring rise took place at the regular season, and ended as usual in the month of April. The summer dullness in mercantile business was very slight, and correspondingly there was a reaction of a little less than five points in stock prices between June 12 and July 9. Neither was there anything drastic in the foreign situation to cause this backward movement. Now we are right at the very season when the autumn break occurs, and the question is—will the market continue to follow the seasonal tendency with the same faithfulness it has thus far displayed?

Still another interesting consideration is that the autumn break is very seldom omitted. The economic reason for the break, to be sure, is tight money and nothing else; and there now and then occur autumns like the present when money is not tight. Such was the case in 1908 and 1904. Yet by a peculiar consistency of fate the market becomes so overbought in these autumns of easy money that if it cannot break because of monetary conditions it breaks because of an accumulation of weak margin accounts. There are available no records of the same identical groups of stocks over a long period of years; but using the available averages based upon different groups the following is the record of some of the autumn breaks:

AUTUMN BREAKS

Year	Dates	Points
1914	May to December	13
1913	September 13 to December 15	7
1912	October 5 to March 18	16
1911	July 21 to September 27	14
1910	October 24 to December 7	9
1909	October 4 to October 23	8
1908	September 9 to September 22	12
1907	September 6 to October 24	33
1906	October 12 to March 14	38
1905	November 4 to November 13	5
1904	December 5 to December 8	11
1903	September 10 to December 12	19
1864	August to October	25
1863	October to December	12
1862	October to November	7
1861	November to December	8
1860	September to December	20

The averages for the Civil War period are based upon the monthly highests and lowest and therefore the exact dates cannot be given. The breaks as here given are counted from the time of their beginning until the first substantial upward-movement, and thus some of them ran over the turn of the year. The in-

teresting point is that there has been no recent year except possibly 1905 without its autumn break. In 1905 money was high, exceedingly high, but that was the time of the unparalleled Gates bull movement when prices were pushed up by the sheer force of the vast buying power of the Gates crowd until the two big banking interests of the United States combined to eliminate this clique. Still, the sharp November reaction was sufficient to wipe out a lot of weak margin accounts. We have not since August yet had any reaction which would be comparable even with the slight downward movement of November, 1905.

To those who like the study of technical market conditions it will be interesting to observe that from the 21st of August to this writing, the first of November, stock prices have made one of the greatest rises without a 5 point general reaction ever recorded in the history of the New York Stock Exchange. The rise amounts, according to the average of 35 representative stocks, not including Bethlehem Steel, to 21 points. So far as our records show, the only instances of greater unbroken rises were: from March to November, 1879, 31 points; from May to December, 1880, 33 points; from July, 1909, to May, 1901, 40 points; and from May to December, 1904, 26 points.

These greater unbroken advances could not now be made to serve as indications that the market is not going to break; for in all of these years, except 1900, the market had its autumn reaction. The year 1900 is not sort of a precedent for existing conditions, because it was then perfectly apparent by midsummer that McKinley was going to be re-elected, and his re-election with Mark Hanna behind the throne meant that the capitalists and captains of industry would get everything they wanted without even taking the forethought to ask for it. During the Civil War there was one unbroken rise which in points much exceeded the present one; but reducing values to a gold basis the excess disappears.

Reasoning based upon the technical action of the market usually fails; but there is some genuine significance in the length of an unbroken rise. The longer the market goes up without a reaction the more over-confident and reckless speculators become, and the more likely it is that the market will become honeycombed with weak margin accounts. When it gets into this condition professional traders of large means find before them a very tempting opportunity. They can sell short thousands of shares and be sure that by pounding the market they will induce these weak margin holders to give up enough stocks so that they themselves can cover at profits of three to ten points. The margin accounts were somewhat reinforced in October by a rather general demand for wider margins, but since then there has been a further big rise which may have somewhat weakened the technical condition of the market.

Nor is there any lack of business causes which might bring about a temporary break. Heavy foreign borrowing of American capital amounting already to about $800,000,000 is absorbing large amounts of money which might otherwise directly or indirectly go into the stock market. During the last week in October a hesitating market was sustained by reports of great improvement in railroad earnings; but railroad earnings always begin to decline in November and this decline is likely to have its effect. Then, too, the financial columns are not so filled with new war orders as they have been; and though this is largely because there is no one who can take additional orders the fact may serve to depress sentiment. Most likely of all is a continuation of realizing sales.

There are strong arguments on both sides, although the arguments that the market will not decline further are largely theoretical, while the opposing arguments are the more practical. It can be stated, however, that there is no good precedent in fifty-five years of stock market history for believing that the market will not show a general average decline of 5 or 10 points before the middle of December.

NOTE: This article was in type before the break on November 8th.

After the War—What?

Present Conditions Outlined—Future Conditions Forecasted

By SIEGFRIED STRAUSS

THE BAROMETER of the economic life of a nation is the Stock Exchange, and the New York Stock Exchange, the barometer of the economic life of the United States, clearly indicates, that this country is enjoying prosperity, mainly as a result of the cataclysm which befell Europe. Reports from all over the country tell of improved conditions, and domestic business is improving, but the export industries are the ones that get the lion's share of our present-day prosperity; they do a tremendous business at very good prices.

The cereal crops of the United States beat all previous records, and the fact that the Allies did not succeed in opening the Dardanelles, insures satisfactory prices for the American export surplus of wheat. The South, warned by last year's sad experience, planted a very much smaller acreage with cotton, but although the cotton crop is about twenty-five per cent. smaller than last year's, its total value will be higher than last year, and the present price of cotton leaves a splendid profit for the planter in the South.

The wool growers have sold this year's product at record prices. The sugar industry is enjoying great prosperity, as Germany and Russia, the big sugar producers and exporters, are cut off from the world markets, which depend on American sugar. As far as the mining industry is concerned, the production taxes the capacity of the mines and smelters, and Europe's demand for American copper, zinc and lead is very large and very good prices are paid.

The iron and steel industries report record productions and steadily advancing prices, and the report of the U. S. Steel Corporation for the third quarter 1915 is the best proof that the iron and steel industries are prosperous. Here again, Europe's demand for the finished products, ammunition, other war supplies, etc., is responsible for the domestic demand in the raw product.

And last but not least, the American railroads begin to show better results; the September earnings of the leading railroads of the country compare very favorably with the earnings of September, 1914. The New York Central, the Pennsylvania, the Erie and other eastern roads show the biggest increases, as they are transporting huge quantities of war supplies to the ports for shipment to Europe. But the fact that a majority of all the railroads report better net earnings, indicates that the increase in freight rates, granted by the Interstate Commerce Commission, is making its influence felt.

The International Mercantile Marine Co., the leading American transatlantic shipping company, was a bankrupt concern before the outbreak of the war; it is now piling up enormous profits on account of the tremendous increase in ocean freight rates which resulted from the war in Europe. The Western Union Telegraph Co. and other cable companies report very substantial increases in their cable tolls on account of the flood of war news from Europe. Manufacturers of ammunition, motor trucks, chemicals and other war supplies are coining money.

The New York Stock Exchange has responded to these conditions with million-share days and a continuous bull market for nearly eight months. There were occasional setbacks, and some of the "war brides" of the Stock Exchange suffered healthy reactions, but they could not stop the rise in prices. The public came into the market, and speculation has grown to such proportions that the newspapers are warning the public to be cautious. Two of the favorite arguments which are used to warn the speculating public, are the possibility of a sudden end of the war and the continued weakness in Foreign Exchange. The latter argument is a fallacy.

People argue that Europe would stop buying in the United States if Exchange would continue to drop further, thus in-

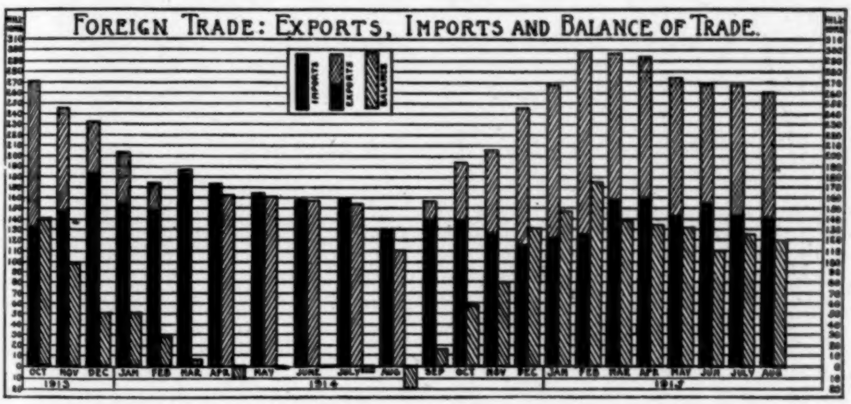
creasing the premium on American dollars. These people forget that the Allies buy in this country only what they cannot get anywhere else at a cheaper price. The Allies have to come to the United States to get sufficient quantities of copper, cotton, ammunition, motor trucks, other war supplies and foodstuffs. If the war should continue for a longer period, pound sterling, francs, lire and rubles are bound to depreciate further, but this depreciation would not influence the export business to Europe unfavorably. The best proof of this is the fact that the exports to England and France at the present time are breaking all previous records, while pound sterling and francs are at a discount of five and fifteen per cent. respectively.

The United States need not worry how to steady Foreign Exchange, because this is exclusively the concern of England and France, the bankers of the allied Powers of Europe. The possibility of a sudden end of the war, on the other hand, should certainly not be lost sight of by the speculating public, because a sudden end of the war would bring a sharp decline in the so-called war stocks, which would probably influence the whole market unfavorably.

Considering a sudden end of the war, the public should bear in mind that peace rumors in some shape or form have been in circulation for nearly one year. All these peace proposals, said to originate from the Teutonic powers, are nothing but rumors which have invariably been denied officially, and need not be taken seriously. But, nevertheless, the probabilities are that the war will not last longer than spring, 1916.

Germany would probably be willing to make peace now on her terms, but the Allies realize that these terms will mean great sacrifices for them. But in a few days there will be running express trains from Berlin to Constantinople, the Teutonic powers will be able to exchange foodstuffs and raw materials with their Turkish and Bulgarian allies against ammunition. Holding Belgium, Serbia and the most valuable parts of France and Russia, the Teutons can afford to rest on the defensive in Europe.

Russia, on the other hand, will face a very difficult problem with her two open ports, Archangel and Wladiwostock, frozen up. It will be practically impossible to send ammunition and coal to Russia for the next five months, because the only open route from Saloniki via Bulgaria and Rumania has been cut by the Teutons. The price for which Russia was willing to continue the war, Constantinople, is slipping out of her hands, as her western allies admit that they are unable to force the Dardanelles.



Courtesy of First National Bank of Boston

France is suffering from a shortage of coal, and the facts that she had to extend the moratorium to the end of the year and that the new five per cent. French war loan will be sold as low as 87 per cent., show that financial conditions in France are far from satisfactory. It is hard to see how France and Russia, both economically and financially crippled and unsuccessful on the battlefield, will be able to keep on fighting for any length of time, and cautious operators on the New York Stock Exchange should, therefore, not overlook the possibility of a sudden end of the war.

But prosperity in the United States will not come to an end with peace in Europe. The inflated prices of the "war brides" will collapse, and the American exports in war supplies will shrink and finally disappear. But there will be a tremendous export business in cotton, copper, oil and foodstuffs to Germany and Austria, and the American industries that sent their products to Europe before the war, will ship these products in increasing quantities after the war. The New York Stock Exchange has indicated its belief in a sudden end of the war by a rather heavy decline in war stocks and a strong upward movement in railroad shares and copper stocks. It may well be that we see another boom in war stocks, but it is bound to have a very short life. The cautious speculator will do well to *buy stocks of corporations that did a large export business to Europe before the war and railroad stocks that look promising.*

Before the war England, Germany and the United States were the three most powerful nations in international trade; they will be after the war, but the United States will have taken the lead away from England. After the war there will be a very strong movement in all three countries for protection of the home industries through a high tariff, and it is a foregone conclusion that this movement will be successful. Germany is talking about an economic union between Germany, Austria-Hungary and her Balkan allies, thus creating a self-sustaining union, independent of foreign supplies, and the war is rapidly converting the German free-trade parties into supporters of protective tariffs. The conservative party in England, which is in favor of a tariff reform for the British empire, will sweep the country at the next election. In the United States, the now ruling Democratic party, which is for a low tariff in principle, is planning to erect barriers against dumping of cheap European goods on the American market, a plan which amounts to nothing short of raising the tariff walls.

Besides this, recent election results, in some minds, indicate a Republican landslide in 1916 for the United States, and the Republican party is practically unanimous in favor of a high tariff. We shall therefore see in the near future three powerful unions of states trying to protect their home industries by erecting high tariff walls around their borders, thus hurting their mutual export industries.

The United States will therefore in a few years from now experience conditions which are the reverse from the ones now existing, viz., a slackening in the foreign trade with Europe and a boom in the domestic business.

THE great work of Wall Street has lain in the *development* of the *producing power* of the country, which is one of the chief reasons why Wall Street endures and must continue to endure as long as it fulfills that highly important function.

Canada's Strength

Economic Conditions in Canada—Pertinent Facts for the Holders of Canadian Securities

By MARK WELLS

HOW would victory or defeat for the Allies affect Canadian bonds?

We will consider first, the alternative which would no doubt be conceded to be most detrimental, viz., complete defeat.

Should the Allies be finally beaten on land, and the British and Allied fleets be destroyed, the immediate effect on Canadian credit would be serious. Heavy liquidation of securities held in this country, of all the allied countries, with consequent temporary depreciation in market prices would most certainly result.

Temporary depreciation in market values *only*, however, could hurt the permanent investor but little. The vital question is, would Canadian bonds be defaulted?

Suppose Germany demanded, and obtained, sovereignty over Canada as a prize of war; could she or would she allow default on the bonds of a component portion of her Empire? Manifestly she could not. To do so would adversely affect her credit with every banker in the world, even those of German nationality. Germany fully appreciates the power and efficacy of the almighty dollar. Also she has too keen an appreciation of the necessity for more dollars which would make further borrowings necessary in order to maintain her supremacy, to allow her credit to be destroyed by breaking faith with lenders.

All-compelling practical reasons would be amply sufficient to insure that the central Government of a greater German Empire, would not be a party to a default of monetary obligations of a portion of that Empire. And if Canadian national obligations would not be defaulted in case of complete defeat for the Allies, it is less likely they would be as a result of victory—for in that case no well informed person doubts the ability and willingness of the Canadian people to meet their national obligations. In case, however, there should be any doubt on this point let us briefly examine her economic conditions.

Agriculture

Since agriculture is the backbone of Canada's industrial life, a few facts regarding it may be considered of special importance. We will examine first the fertility of her soil. This can perhaps be best set forth by comparisons as in the accompanying table.

YIELD PER ACRE PRINCIPAL FIELD CROPS COMPARED WITH THE U. S. A.

	1911 U.S.A.	1911 Canada	1912 U.S.A.	1912 Canada	1913 U.S.A.	1913 Canada	1914 U.S.A.	1914 Canada	10 yr. Average U.S.A.	1915 Estimated Canada
Wheat, Bushels ...	12.2	20.8	15.9	20.3	15.2	21.0	16.7	15.3	14.4	23.78
Oats, " ...	24.4	37.9	37.4	39.2	29.2	38.7	29.7	30.9	29.9	42.94
Barley, " ...	21.0	29.2	29.7	31.2	23.8	29.4	26.1	23.0	25.2	34.22
Potatoes, " ...	80.9	148.6	113.4	175.3	90.4	165.8	109.6	180.0	....	....

The records of production per acre for Canada given above, acquire greater significance when we understand that the ten-year average of the U. S. A., given for comparison, is the best decennial period of the United States since 1870.

In the old settled province of Ontario, where the records of wheat production for a long period of years are available, the average for thirty-three years is 21.1 bushels per acre. Thus the average of this province over a long period of years exceeds the aver-

age of 16.7 of the United States for its banner year 1914 by about 25 per cent.

The rapid progress made by Canada in recent years as a grain producing country is shown by the accompanying table:

The Canadian Department of Agriculture estimates the entire land area of Canada, suitable for cultivation, to be 440,951,000 acres. In 1915 less than 40,000,000 acres, about 10 per cent. of the whole, are under cultivation. Likewise, this available area is greater by about 50 per cent. than the total area of land on which crops were harvested in the United States in 1914.

The growth of agricultural industry will, in all likelihood, be accelerated by the extraordinary demand for foodstuffs caused by the war, followed by a probable increase in immigration from the war-devastated countries.

The Franco-German War of 1870 greatly stimulated emigration to this continent. A similar movement will, in all probability, take place after the settlement of the present disturbance in Europe.

It is most certain that the increased demand for foodstuffs by reason of the war, and the subsequent emigration from Europe, will serve to bring innumerable acres of Canada's untouched lands into cultivation. Food, food, and yet more food will be the cry from Europe's impoverished millions.

But more important and impressive than this, with an ever-increasing population, the demand on the world's food-producing lands becomes steadily greater, while the cultivable land areas remain the same. Hence the normal demand for foodstuffs will continue to grow, irrespective of the abnormal war demand.

Canada has the land which would amply suffice, were it all in cultivation, to produce food for all Europe with enough left over to feed the people of the United States. And there lies Canada's opportunity.

TOTAL PRODUCTION IN BUSHELS OF TWO PRINCIPAL GRAINS

	1900	1913	1915 Sept. Gov. Estimate
Wheat	55,000,000	231,000,000	308,000,000
Oats	151,000,000	404,000,000	488,000,000

Manufactures

In regard to her manufactures, no statistics are available later than those of the census year of 1910, which gave the total value of manufactured products as $1,165,000,000. This is an increase over the previous census year (1900) of $684,000,000, or 142 per cent. To any natural growth that may have taken place since 1910 has been added over $500,000,000 of extraordinary business, in war orders, received since the outbreak of war.

The normal increase from 1910 to 1914 was estimated by the writer at about $300,000,000, which would make the total annual production at the beginning of 1914 between fourteen and fifteen hundred million dollars. The war orders received, however, must not be take as all increase over normal times—because there was some falling off in industrial activity in Canada, even before war broke out, and a very heavy decline in the early months of war. These war orders, however, have no doubt more than made up for the lessened activity in 1914; because practically all factories working on munitions and supplies are working to capacity, many of them working three shifts of eight hours each in the twenty-four hours. More factories are working night and day than ever before.

Other industries have also made rapid strides. For example, the per capita value of mineral production has grown from $4.05 in 1895 to $18.57 in 1913. During this period the per capita production has more than quadrupled, while the value of total production has been multiplied by seven.

MONEY - BANKING - BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

The Growing Strain in Nations at War.

AFTER fifteen months of the war, the growing strain on the resources of Europe is becoming very plainly evident. Already peace rumors are gaining sufficient credence to have some effect on the stock markets both in New York and in Berlin. Prices of stocks have already discounted very large war profits.

Under these conditions it is natural that more and more attention should be devoted to the question of what is to follow the war, and especially how our own trade and investments will be affected. W. H. Truesdale, president of the Lackawanna Railroad, usually has but little to say for publication, hence his recently expressed views are all the more interesting:

I am always an optimist about this country. But these are days for careful thinking.

So far we have very greatly benefited by the European war, but when the people over there find out what their losses have been and what remains to them in men and money with which to carry on their necessary activities, it is impossible to say just what the effect on us will be.

It is possible and even probable that Europe may for a period of years be unable to continue the vast developments of still undeveloped countries which have had their principal sources in her enterprises, and that we may have to take her place at that work. We may of necessity become world-developers and world bankers.

In view of this, it is necessary that we should act with the utmost caution and intelligence. There are those of us who believe that in pursuing the economic course which we have been following we may fix our cost of production so high that it will make it impossible for us to compete with Europe after it has regained sanity and settled down to that desperate peace which must follow this desperate war.

She will be grimly determined to retain her old markets and to make new ones.

I never have thought that we, or anyone, could get any benefit of a permanent nature from this war. I cannot see it in any other way than as a world disaster.

Will Immigration Increase Greatly?

SOME believe that after the war we shall be flooded with immigration, to an extent which must result in a lower wage scale in this country. John Bates Clark, professor of political economy at Columbia, and one of the clearest thinkers in academic life, doubts the above theory:

If, as seems probable, the present war shall be decided by the process of attrition —if numbers of men and extent of ultimate resources shall finally decide it—there can not fail to be a reduction of population which will afford some temporary relief from the necessity for lands in which to expand. There will be fewer laborers and a smaller total production, but there will be a larger production per man. Population has not shrunk as much as has the available capital of the belligerent countries, but the number of mature working men has shrunk by a much larger percentage than has the total population. Men capable of taking up those industries which they alone can carry with advantage will be scarce.

Working capital will be scarcer than it was, but land will remain, and, on the whole, the surviving population will be under a lessened inducement to migrate to foreign countries or to annex foreign lands. An offhand impression prevails that, after peace shall be restored, unprecedented migrations will begin at once. If so, it will not be because of the old economic pressure. The war may leave great misery in its train, but there is little in natural economic forces alone that justifies the conclusion that mature laboring men will migrate in great numbers.

On the general ground that what makes life difficult in Europe will send people away from it, there is one powerful influence that will make for migration of both labor and capital, and that is taxation. With the burdens of governments doubled by war loans, and with property reduced, taxes may give an increased reason to flee.

* * *

Leading Banks Advise Conservatism

BANKERS are not given to becoming over-enthusiastic and at present, while recognizing the big improvement

in business already recorded, they are inclined to advise caution for the future:

People's National Bank of Pittsburgh: Confidence is fairly well established that business conditions in the United States will continue active at least over 1916, regardless of the duration of the war, and many operations are now being based upon that belief. This confidence rests upon this foundation: We have harvested the largest crops, taken as a whole, in the history of the country. The foreign exchange situation seems to have been bridged—temporarily at least—by the flotation of the Anglo-French loan, by the receipt of additional gold, bringing the total net imports for ten months above $300,000,000, and by the negotiation of smaller credits for Italy and probably by Russia.

In addition to the foregoing factors, which have a direct bearing upon our external trade, there are others which will have an equally direct bearing upon our internal commerce. Among these may be mentioned: First, the necessities of our railroads, which had begun to accumulate a year before the outbreak of the war and which continued to accumulate during the first half of 1915.

Second, the slow but steady progress being made in extending our trade to markets heretofore supplied by the European belligerents, but necessarily neglected by them.

Third, the probability that as a direct outcome of the war the United States will embark upon a program of military and naval expansion.

National City Bank of New York: The banks of this country are in very strong position, and the reduction of our indebtedness abroad and the holdings of foreign obligations that we have acquired, give us a commanding position in the exchanges which will be very serviceable when they turn against us, as they ultimately will do. There is nothing under the surface, or anywhere in the present situation to occasion alarm at this time, but it certainly would not be prudent to lose sight for one moment of the fact that the state of prosperity which we are entering upon is more or less precarious, because based to an important extent upon uncertain and unstable foundations.

The industrial companies which are making large profits are believed to be generally pursuing a conservative policy, reducing indebtedness, increasing sinking funds and reservations, and fortifying themselves against a reversal of times later on. It will be well for wage-earners who are enjoying high wages and war bonuses to make similar provisions. There is a big, swift river to cross before this country can safely rely upon having a long period of uninterrupted prosperity before it.

"SH! BUY IT AT THE OPENING AND HOLD ON!"

—*New York World.*

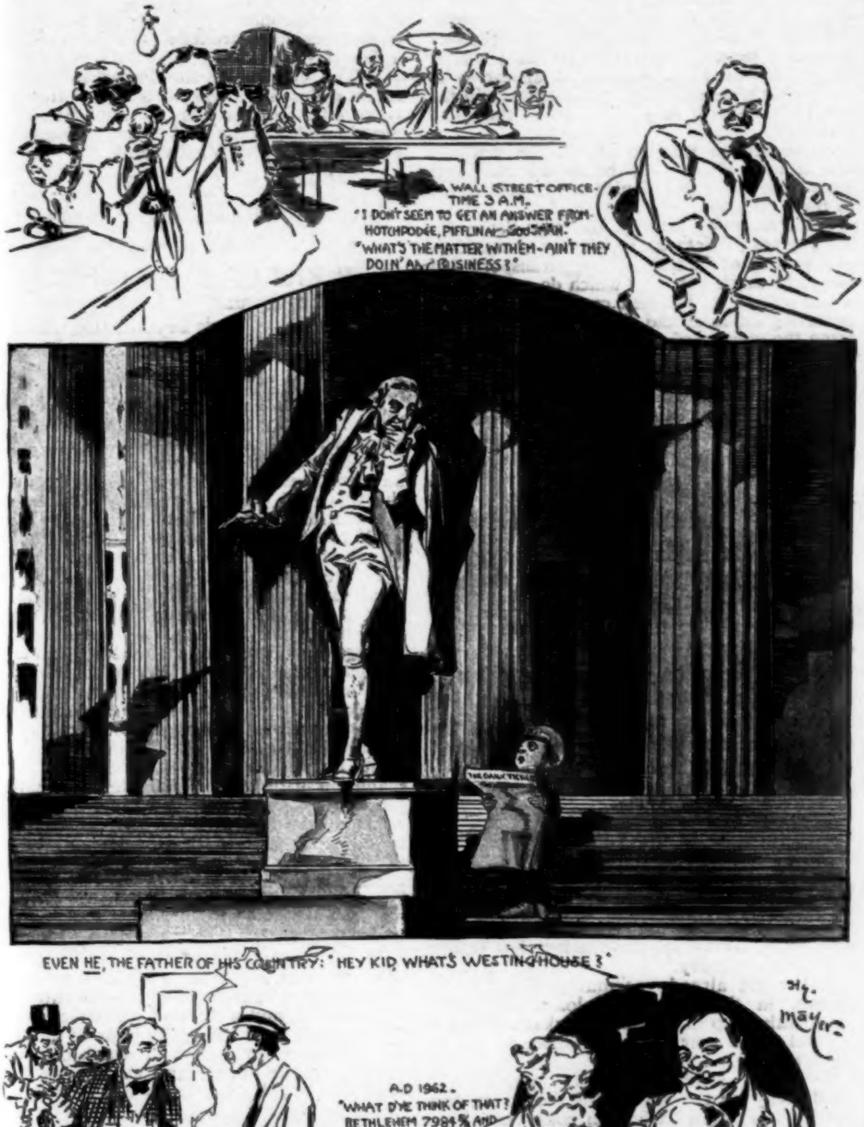
Better Business for the Railroads.

THE increase in industrial activity is beginning to be reflected in larger railway earnings. Slason Thompson, director of the Bureau of Railway News and Statistics, reviews the situation as follows:

So far as returns have been received, to the second week in October, railway revenues show material increases over the same periods in 1914 without reaching the higher marks for 1913. In all these reports the same phenomenon appears—the chief improvement so far as freight is concerned is in the East, while the passenger movement is greater in the West, where the effect of travel to the Panama Exposition is still evident.

From these facts it is apparent that railway revenues have practically recovered from the slump that followed the breaking out of the war, but they owe their recovery more to the stimulus given to the production of war materials, coupled with the demand for export of food products, than to any improvement in domestic business.

Turning to the marked increase in net revenue, which as grown steadily for seven months, this has been due almost wholly to the adoption of every form of economy known to railway managers, and, to the marvel of the superficial observer, this has been accompanied by increased efficiency in operation. Hard times develop and reward the great American trait of adaptability.



WAR STOCKS AND WALL STREET

By Hy Mayer

From "Puck"

How are the railways prepared to cope with a revival in traffic? Already there are mutterings of a scarcity of equipment and terminal facilities in the East. We do not appear to be seriously threatened with a car shortage in the West yet. But it may come before the snow flies.

In regard to tractive power, the railways are at least 8 per cent. better off than two years ago, when they hauled the largest traffic in their history.

With returning activity, the only fly in the railway pot of ointment is that a very considerable portion of the traffic seeking transportation has to be carried at rates which do not provide a fair return on invested capital after paying operating expenses and taxes. No matter how large the volume of traffic, unless the average rate is remunerative the railways do not get their share of the general prosperity. Therefore, increased traffic brings along with it the seeds of reaction after the good effects of necessary economies have been dissipated.

* * *

Freight Congestion a Strong Probability.

THE combination of big crops and a heavy export movement will throw a big burden of traffic on the roads for the next three months. Scarcity of ocean tonnage is causing congestion at the ports and this condition is reflected back to the railroads. The *Journal of Commerce,* after a special investigation of freight conditions, summarizes the situation as follows:

1. Freight tonnage from New England, the Middle West and the Middle Eastern States amounts to 25 or 30 per cent. above normal traffic during recent years.
2. The enormous movement of war munitions and foodstuffs for export is expected to increase, presenting a greater distribution problem than has been seen before, and giving to the carriers the heaviest traffic in railroad history.
3. Freight already accumulated in warehouses, in the process of loading, and in cars banked up in terminal tracks, would fill several times over the ocean space in use in export trade.
4. Every available bottom which will safely stay on the surface of the water, for use in New York harbor, in coastwise shipping, or export commerce, has been engaged for as long a period as possible at inflated prices. This includes converted stone barges and gasoline launches.
5. Freight rates in ocean trade have advanced on an average 400 or 500 per cent. above the charges prevalent before the beginning of the European war.
6. While railroad officials assert that they have sufficient cars and labor to move all freight offered, they expect the shipping crisis to become more acute as the stormy winter period approaches and increases the difficulties of loading.
7. The closing of the Panama Canal by earth slides has diverted a heavy traffic to transcontinental roads to San Francisco, Seattle and Vancouver for transshipment to Russia by way of Vladivostok.

* * *

Ripley Recommends Tariff Revision.

E. P. RIPLEY, president of the Atchison, is another leading man who is beginning to look beyond the war and sees the tariff question again arising as an important problem:

As long as the war orders pour in and there is money to pay the bills we shall get along without much trouble, but when the millions of men now under arms cease to be consumers and become producers, and the waste of the war must be made good, the world will be called upon to readjust itself to an entirely new condition, the elements of which we cannot clearly foresee.

In the international adjustment the principal factor is the tariff. The method or lack of method in dealing with this exceedingly important question has been absolutely unworthy of American citizenship. No tariff has been satisfactory or has lasted long, nor will one ever prove satisfactory until the enactment rests upon a full disclosure and proper consideration of all the factors that should be considered. Tariff-making has gone by favor; the schedules have been made on little or no reliable information, much misinformation and juggling. The tariff is saturated with politics. The question of the hour is: "Shall we take politics out of the tariff and put it upon a scientific economic basis, where it properly belongs?" The only hope for doing this, so far as I am able to see, is a strictly non-partisan tariff commission of the highest personnel with a life tenure of office or one extending over at least eight or ten years, in which the principal industries of the country are represented, and a full and scientific investigation shall be made in the hope of developing an American system in which the interests of all the people and all lines of business will be fully and fairly considered.

* * *

How Chicago Bankers See It.

A NUMBER of leading Chicago bankers have recently had something to say about money rates and business conditions in that section:

John J. Mitchell, president of the Illinois Trust & Savings Bank: Everything is boom-

ing. Factories everywhere are running night and day. There are few idle. The manufacture of war supplies is the big thing, but the activity there has branched out into other lines. General business is better than in years.

People are spending money freely everywhere and evidences of extravagance are many. The condition is spreading westward, and Chicago and other cities soon will feel the flood-tide of the boom.

There is danger in this section, as cheap money is going to lead to inflation and overproduction.

David B. Forgan, president of the National City Bank: I have never known it to fail that the demand for loans in connection with the marketing of the crops causes higher rates for money. So far as I can see this year will be no exception. By that I do not mean that there will be anything like a scarcity of funds, but it is reasonable to expect a slight advance in lending rates.

Arthur Reynolds, vice-president of the Continental & Commercial National Bank: Demand for money for the carrying of grain in elevators has been unusually small this season. When grain, following its movement from the farm, is loaded directly for export or goes into consumption without accumulating in the central elevators, the financing of the crop movement calls for a small volume of loans.

* * *

Steel Revival Best Since 1907

ACTIVITY in the steel and iron trade is still growing. The price of pig iron has risen nearly one-third and production is running at a record rate. The revival began early in July and, as is usual in this industry, it was rapid and vigorous when it finally came. Judge Gary says:

WHAT GOES UP MUST COME DOWN.
—*Philadelphia Record.*

At the present time the demand for pig iron and for various lines of steel is in excess of the producing capacity of the furnaces and the mills of the United States. The manufacturers are unable to make deliveries entirely satisfactory to the purchasers with respect to a large majority of the different kinds of finished steel. There is nothing to indicate that there will be a decrease in the demand for any of these products for some time. While prices received are still low, they have been and are increasing, and apparently will go higher, so that fair and reasonable profits may be expected.

Of course, these very satisfactory conditions are more or less affected by the war business, so called, yet it is undoubtedly true that there is a better feeling throughout the general iron and steel trade than has been experienced for some years past.

THE *successful investor* is one whose fund of information is never complete. He must study, make inquiries, learn to discriminate, read mortgages, delve into sinking funds and operating ratios, and the intricacies of the balance sheet. *Constant diligence* is his *greatest safeguard.*

Steady Growth in Business Activity

Bank Clearings Touch a New High Record—Speculation Not the Controlling Factor—Failures Somewhat Larger for October

BANK clearings for October set a new high record for any one month in the history of the country—$20,144,000,000 against $11,735,000,000 in 1914, or an increase of over 70 per cent. The gain over October, 1913, is 28 per cent.

The greater part of this phenomenal increase was due to the continued activity in the security markets at New York. One year ago the Stock Exchange was closed, so that comparisons are of little value; but comparing with 1913 we find that New York City clearings were $8,694,000,000 in October, 1913, while they were $12,740,000,000 in October, 1915—an increase of nearly 50 per cent.

It might be assumed that this big gain at New York was chiefly due to speculative transactions in stocks, but this was not the case. The number of shares sold on the Exchange in October was 26,678,900 and their market value in dollars was $1,942,000,000, or less than one-sixth of the total New York clearings. Over 75 per cent. of the gain came from the increase in bond transactions, in general business, stock and bond sales over the counter, etc. Speculation on the Exchange attracts so much attention and is so exclusively the subject of newspaper comment that the majority of readers get an entirely erroneous idea of its relative importance in comparison with investment and other business.

Bank clearings outside New York show a healthy growth but no extraordinary gain. They were $7,404,000,000 in October, against $6,125,000,000 in October, 1914, $7,026,000,000 in 1913 and $7,007,000,000 in 1912. Taking the Census Bureau's estimates of population, this gain in outside clearings since 1912 shows almost exactly the same per cent. of increase as population. Hence we may conclude that the amount of business done in October for each person in the United States was practically the same as in October, 1912.

As a rule, however, business grows much faster than population. Hence the actual growth of outside clearings since 1912 has been a little below normal. During 1915, on the other hand, the growth of clearings has been considerably above the normal. Last February the outside clearings were $5,426,000,000, the smallest February since 1911. The jump to $7,404,000,000 in October, and the largest October on record, is in part due to seasonal conditions, but it nevertheless shows a most gratifying progress and the indications are that this period of rapid growth is not yet over.

In the last issue we commented on the very sharp drop in failures during 1915, total liabilities for the country up to September having shown an almost unbroken decrease month by month since last January. Liabilities for October showed an unexpected increase, being according to Dun's figures $25,522,000, the biggest October since 1907 with the exception of October, 1914. Failures have been unusually large among grocers, butchers, hotels and restaurants. This is evidently due to high prices and the consequent restricted purchasing power of the public. It furnishes additional evidence that so far prosperity is reaching only certain classes and is not so widely distributed among the people as might be desired.

It is probable, however, that the October increase in failures is temporary and that succeeding months will show better conditions. The general up trend of business conditions is now pretty strong and failures are not likely to be very heavy while this continues.

Advice from *disinterested* parties is the only *worth while* kind.

BONDS

THE BOND INDEX

Classifying Listed Railroad Bonds With Speculative Possibilities—Pointers for the Investor for Profit

By WILLIAM RUTGER BRITTON

Part II

SINCE the first installment of this series was prepared the newspapers have contained numerous references to the heavy freight movement, particularly to and from munition manufacturing centers. Two large railroad systems entering New York City have established an embargo on freight intended for export. Throughout the United States industry apparently is reviving and presently the facilities of American railroads will be overcrowded and soon we will be short of railroad facilities.

As the public realizes that a widespread and long continued era of prosperity is impossible without fair treatment for the railroads, the politicians will grasp quickly the situation and there will be a wholesale raising of rates. Then capital will be attracted to the opportunities presented in the railroad field.

To those investors holding the foregoing views a study of the official quotation sheet of the New York Stock Exchange is very interesting. In the previous article in this series cheap steam railroad bonds were chosen alphabetically. This idea is now followed. If railroad prosperity revives then the purchase of many of the bonds discussed in this series should prove profitable to investors willing and able to take chances.

Colorado & Southern

In the Colorado & Southern System there are apparently several bargains. This railroad extends from Wyoming southeast to Galveston on the Gulf of Mexico, with a total mileage operated of some 1,800 miles.

A few years ago James J. Hill, the great railroad man, purchased stock control of the Colorado & Southern System for the Chicago, Burlington & Quincy System. The latter is owned jointly by the two Hill lines, the Great Northern and the Northern Pacific Railroads. Mr. Hill recognized the strong strategic position of the Colorado & Southern System and a good management of the latter now is assured.

Colorado & Southern first 4's of 1929 are really a first class bond. The maturity is rather near so the yield at current prices of 90 is comparatively large. There are $20,000,000 of the bonds authorized and almost all are outstanding. The bonds are a first mortgage on about 1,000 miles of railroad at less than $20,000 a mile and are collaterally secured by deposit of practically all stock of the Fort Worth & Denver City Railroad Co., which owns a railroad extending from the New Mexico-Texas State line to Fort Worth, a distance of about 450 miles. Colorado & Southern first 4s underlie about $31,000,000 of refunding and extension 4½s and $48,000,000 of stock.

Fort Worth & Denver City first 6s of 1921 are selling on the New York Stock Exchange about 105. There are about $8,000,000 outstanding and they are a first mortgage on the 450 miles of railroad between Fort Worth and the New Mexico-Colorado State line at $25,000 a mile. This is important mileage as all through business of the Colorado & Southern System passes over it. As the bonds are a first mortgage at a comparatively low rate per mile and run only a few years, they have been pur-

chased by some important trust companies and banks.

Colorado & Southern refunding and extension 4½s of 1935 are selling on the New York Stock Exchange about 82. They are a second lien on the mileage on which Colorado & Southern first 4s are a first lien and are collaterally secured by bonds and stocks, giving the issue a first lien on some 700 miles of railroad. Colorado & Southern refunding and extension 4½s are a good bond of the second class, and as about $31,000,000 are outstanding enjoy good marketability.

Delaware & Hudson

Of course the credit of the Delaware & Hudson Company is deservedly high. The company has enjoyed a long, honorable and prosperous career. So the new twenty-year 5 per cent. bonds lately authorized by stockholders should be regarded as excellent investments with great speculative possibilities. The bonds are convertible into stock at 150 between October 1, 1917, and October 1, 1927. Delaware & Hudson stock now receives 9 per cent. dividends and sells in the neighborhood of 150. These convertibles should be purchased for conservative investment.

In the Denver & Rio Grande System there are probably some very attractive bargains. This railroad is one of the few Gould roads not operated by receivers. Unfortunately the company guaranteed various obligations of the Western Pacific which railroad is now operated by receivers and attempts are being made to compromise these differences. Meanwhile earnings of the Denver & Rio Grande System are increasing very satisfactorily. The company operates a low grade line through Colorado forming a through transcontinental line.

Denver & Rio Grande

Denver & Rio Grande consolidated (now first) 4s and 4½s of 1936 are apparently very safe and attractive bonds. There are $42,000,000 authorized and $34,125,000 are outstanding bearing 4 per cent. interest and $6,382,000 bearing 4½ per cent. interest, leaving $1,445,000 of 4s in the treasury. These bonds are a very well secured obligation.

Rio Grande Western first 4s are another safe and very attractive underlying bond of the Denver & Rio Grande System. There are $16,000,000 of bonds authorized and $15,200,000 are outstanding, the mortgage being closed. These bonds are a first mortgage at less than $36,000 a mile on about 425 miles of railroad. The mileage on which Rio Grande Western first 4s are a first mortgage constitutes the greater part of the mileage of the Denver & Rio Grande System in Utah, including the main transcontinental line. Rio Grande Western first 4s are selling on the New York Stock Exchange in the neighborhood of 72½.

Rio Grande Western first consolidated 4s of 1949 are offered on the New York Stock Exchange at 60. They are a first lien on almost 300 miles of railroad and a second lien on some 450 miles of railroad. The issue is collaterally secured by the deposit of the $10,000,000 of stock of the Utah Fuel Company.

There are about $8,000,000 of Denver & Rio Grande improvement 5s of 1928 outstanding and they are about 74 bid on the New York Stock Exchange. These bonds are a second mortgage at $5,000 a mile on the mileage covered as a first lien by Denver & Rio Grande consolidated 4s and 4½s.

The junior mortgage bonds of the Denver & Rio Grande System are the first and refunding 5s of 1955 which are offered on the New York Stock Exchange at 55. There are $150,000,000 of bonds authorized and about $34,000,000 are outstanding. This issue was authorized to finance the Denver & Rio Grande System, which now also includes the Rio Grande Western, and gradually retire all existing prior liens. Generally speaking, Denver & Rio Grande first and refunding 5s are a second and third mortgage on the entire system, but in addition are a first mortgage on about 125 miles of railroad. The company's earnings are increasing rapidly, and if a receivership can be avoided owing to complications with the Western Pacific, as now appears probable, the first and refunding 5s and the underlying liens

should show handsome profits to present purchasers.

Erie

It is the settled conviction of Wall Street that the Erie Railroad Company is entering a period of great prosperity. The stocks and convertible bonds have been very active at advancing prices. Earnings are increasing rapidly and the company's credit is now well established.

Erie first consolidated prior lien 4s of 1996 are selling on the New York Stock Exchange about 88. They are difficult to describe because they rank in lien from first to seventh mortgages. But generally speaking the first consolidated prior lien 4s are the best general obligation of the company. They are outstanding at the rate of about $20,000 a mile on the mileage on which the bonds are a direct mortgage. There are $55,000,000 of divisional underlying liens. The prior lien 4s underlie about $36,000,000 of general lien 4s and approximately $21,000,000 of convertible 4s.

Following the prior lien 4s are about $36,000,000 of general lien 4s which are selling on the New York Stock Exchange about 75. These bonds cover the same property as the prior lien 4s, but are subordinate in lien. There are also about $21,000,000 of convertible 4s divided into two series, "A" and "B." The convertible privilege attached to Series "A" bonds has elapsed, while each Series "B" bond contains the statement that it can be converted into common stock at $60 a share, prior to October 1, 1917. However, the mortgage contains no provision for converting these bonds after April 1, 1915. But this point may never be raised.

The Erie Railroad Company owns stock control of the New York, Susquehanna & Western Railroad which extends from Jersey City via Hackensack, New Jersey to Stroudsburg, Pa. The Susquehanna owns stock control of the Wilkesbarre & Eastern, which extends from Stroudsburg to Wilkesbarre, Pa. Thus the New York, Susquehanna & Western extends from the anthracite coal fields to tidewater in New York harbor. The company owns various branches, including a tunnel for freight trains through the Palisades and valuable freight terminals along the Hudson River. The company's earnings are not large because the Erie Railroad Company is not properly developing the Susquehanna. The latter is rather heavily bonded.

Wilkesbarre & Eastern first 5s of 1942 are a first mortgage at $46,000 on 65 miles of railroad between Stroudsburg and Wilkesbarre. This mileage serves an unproductive country, but at the Wilkesbarre end are, of course, the anthracite coal fields. The bonds are guaranteed principal and interest by the New York, Susquehanna & Western Railroad Company over whose tracks passes the coal traffic of the Wilkesbarre & Eastern. The bonds are offered on the New York Stock Exchange at 90.

New York, Susquehanna & Western first refunding 5s of 1937 are offered on the New York Stock Exchange at 96. These bonds are a first mortgage on 62 miles of railroad and a second mortgage on 72 miles of railroad. These bonds are a very fair investment.

Evansville & Terre Haute

Of the Evansville & Terre Haute issues it is difficult at present to speak. This company was consolidated with the Chicago & Eastern Illinois and every bond of that system is now in default. The Evansville & Terre Haute is very largely a coal road operating in highly competitive territory.

Evansville & Terre Haute first consolidated 6s of 1921 are offered on the New York Stock Exchange at about 88. These bonds are in default, but at this price may later show a profit. There are $3,500,000 of bonds authorized and $3,000,000 are outstanding, the mortgage having been closed. The bonds are a first mortgage at $20,500 a mile on about 150 miles of railroad extending from Evansville, via Terre Haute, to Rockville, Ind.

(*To be continued.*)

Speculative Bonds vs. Investment Stocks

EDITOR of THE MAGAZINE OF WALL STREET: About three years ago I bought the following bonds:

Central States Elect. Corp. 5s	94½
Indiana Ry. & Lt. Co. 1st 5s	94
Minn. & St. Louis 1st & Ref. 4s	71

Since subscribing to your magazine I have studied into the matter and realize that my funds might be placed to much better advantage, and I am considering the problem of making the change without too much risk. My objects are—

To secure a wider distribution and a more active market.

To increase my principal by investing for profit.

Being under 40 years of age, and on a living salary, I feel I can take some risk.

Will you give me your advice as to how I should proceed in this matter.

If I sell now I would have to lose over 20 points on the M. & St. L. bonds, and I think about 10 points on either of the utility bonds. At the same time I do not want to have my principal tied up for years to come with no chance of profit, especially if the security back of these bonds is not first class.

If I should re-invest my idea was to select from the following stocks:

American Can pfd	107
American Cotton Oil pfd	97
American Loco. Co. pfd	100
American Smelting pfd	108
American T. & T. Co	125
Anaconda	76
Central Leather com	54
Great Northern Ore	50
Republic Iron & Steel pfd	104
Baltimore & Ohio com	92
Chesapeake & Ohio com	57
Kansas City Southern pfd	61
New York Central	100
Northern Pacific	114
Southern Pacific	96

Would you advise me to sell any part of my holdings at present and buy around these prices? What do you think are the prospects for the securities I hold as compared with other securities in the active market?

I would greatly value your views on this matter, as it is of great importance to me.—M.

We have carefully considered your investment problem. Your own bonds must be sold at a loss. You must distinguish between permanent investment and speculation.

Your Minneapolis & St. Louis first and refunding 4's are purely a speculative bond and your Central States Electric Corporation 5's, while they will probably be paid at maturity, are a collateral trust obligation and can hardly be regarded as a conservative investment. Your Indiana Railway & Light first and refunding 5's of 1943 are a comparatively small issue and can hardly have a very wide market, but they appear to be well secured bonds.

Therefore, two of your investments, although called bonds are really speculative issues and your Indiana Railway & Light bonds, while unmarketable, is apparently a safe investment.

There is more interest in the stock market now than in the bond market, and as business apparently is increasing in this country, there is certainly a better feeling and the outlook is for much higher prices for stocks. As you are a man under 40 with a permanent income on which you can live, we think you might safely sell your Central States & Electric bonds and your Minneapolis & St. Louis bonds and buy various odd lots of stocks.

We have examined carefully your list of stocks. In an active stock market we should imagine most of these issues may advance. As a matter of fact you do not take as great risk in the purchase of many of these stocks as you did in buying, for instance, the Minneapolis & St. Louis bond. The average individual has an erroneous idea of stocks and bonds. The fact is that the best security for any stock or bond is *earning power* and the common stocks of some corporations when protected by large earning power are relatively safer investments than many bonds.

Bond Inquiries

"Switching" in Bonds

D. M., Winchester, Ky.—Your plan for exchanging your Denver & Rio Grande first 4's into Erie General Lien 4's or Central debenture 6's is a good one. The yield of all these bonds is very close to equality, but in Erie or Central we think there are inherent probabilities of higher prices than in D. & R. G. Both Erie and Central are making a lot of money and their securities ought to sell higher.

Erie Bonds

L. T. L., New Haven, Conn.—Erie Railroad bonds, we believe, are good for a long pull and some of the most conservative bankers in Wall Street take a most optimistic view of the future of this railroad. It is one of the great trunk lines of America. During the past ten or fifteen years enormous sums of money have been spent rehabilitating the system, and its physical condition today is believed to be most excellent. For many years all the traffic of the road passed through a two track tunnel near Jersey City, but a new four-track tunnel has been completed and this gives six tracks instead of two. The company has also been double tracking its line to Chicago and the entire system is now double tracked except a portion about 35 miles. Earnings of the company are expected to be very favorable this autumn and Wall Street is looking for higher prices on Erie common stock.

You also say "which series are best?" We presume you refer to some of the junior securities. One of the best junior liens of the road are $35,000,000 or prior lien 4's due 1996 and quoted on the New York Stock Exchange at about 84½. Then comes about $36,000,000 of general lien 4's which are quoted on the New York Stock Exchange at about 75.

Then come two issues of convertible 4's of which there are $10,000,000 series A 4's, quoted at about 72, and $11,000,000 of series B 4's quoted at about 84¾. The convertible privilege attached to the series A 4's has lapsed, but the series B 4's are convertible into common stock at $60 a share prior to October 1, 1917. These bonds should advance, if Erie common continues to rise. There is, however, some question regarding the convertible privilege attached to the B bonds. The bonds contain the statement that they are convertible prior to April 1, 1917, and the mortgage does not provide for any conversion after April 1, 1915, but we assume the Erie Railroad Company will permit conversion prior to April 1, 1917.

You should understand that all of the foregoing issues are general obligations of the company and are not first mortgage bonds. We suggest that you might buy the Genesee River first 6's, which are selling at about 103¾ and are a first mortgage on part of the main line. The yield is comparatively large and the security ample.

Seaboard Adjustment 5's

I shall be very glad to have your valued opinion as to the advantage or disadvantage of the adjustment mortgage 5 per cent. bonds of the Seaboard Air Line Railway, which are now selling around 66, both as a speculative and permanent investment, for one who is willing to take a reasonable risk.—R.W.

Seaboard Adjustment 5's are part of an authorized issue of $25,000,000, all outstanding. They are a lien by a direct mortgage on the same mileage covered by their funding 4's of 1959, and are subject to that issue. This is a good semi-speculative bond, which has the prospects of a higher investment rating as the railroad's earnings improve.

Frisco Gen. 5's—E. & T. H. Bonds

B. W.—St. Louis & San Francisco general 5's have been in default about two years. Meanwhile, the receivers have been building up the property and we think they have accomplished satisfactory results. There have been several tentative plans of reorganizing the company and announcements have been made regarding these plans in a way to indicate that the reorganizers were attempting to test the public opinion. For instance, a rather heavy assessment has been proposed for the stock. The bankers and reorganizers are working on the problem steadily, and with the improving sentiment towards railroads we imagine a final plan may be presented before January 1. Earnings of the St. Louis & San Francisco for two months ended August 31, 1915, were about the same as those of the corresponding period of the previous fiscal year.

Regarding Evansville & Terre Haute 5% and 6% bonds, the earnings of the Chicago & Eastern Illinois system have not been sufficiently satisfactory to justify a speedy reorganization. This system is in default on every bond and members of the reorganization committee that we know personally inform us no steps to reorganize the road can be taken until there is a favorable change in the disposition of the public towards steam railroads. Earnings of the Chicago & Eastern Illinois for two months ended August 31, 1915, were $330,000 compared with $726,000 during the corresponding period of the previous fiscal year. This is not a very satisfactory showing.

M. K. & T. 5's

H. H.—The M. K. & T. 5's, owing to the fact that the railroad is in receivership, should be regarded as a speculative rather than investment bond, but if you are in a comfortable situation financially and are willing to incur a reasonable speculative risk, these bonds might prove a good buy.

PUBLIC UTILITIES

United Railways Investment Co.

Station Improvement Shown in Subsidiary Properties—California Conditions—Improvement at Pittsburgh

By JAMES S. H. UMSTED

MANY of our public service systems possess so numerous inter-company relations that the casual investor is almost dissuaded from interest in them because of his inability to construct charts physically or mentally like unto those which, for instance, display the succession of the Merovingian Kings. But when the anti-capitalistic craze was at its height under the Roosevelt Administration every executive officer, every paid attorney, every operating man, every investor in bonds and stocks, and many of the intelligent employees were wondering how the threat of partition of the Pennsylvania, New York Central and other steam railroad systems could be carried out without causing business chaos, if such partitions became necessary for the enforcement of the Sherman Anti-trust law according to the counsels of perfection. The reproach of the putting together of numerous fragments from time to time—if a necessary process in the course of proceeding in the corporate as well as biological development from the simple to the complex, the homogeneous to the heterogeneous under one unity may be called a reproach—applies to our great railroads as well as to our various trolley, gas and lighting systems.

The worst of the storm has passed and investors are studying facts, figures and analyses with a better poise of head and a firmer hand-held magnifying glass than ever before. Among the great public service systems the United Railways Investment Company has recently begun to attract new attention. A chart may be of assistance in getting this collection of properties clearly in one's mind and for that purpose the accompanying diagram is given in its simplest form. Control of properties by stock ownership is generally represented in this cartography, though in a few minor cases the connections are by lease or operating contract.

Put your finger on San Francisco and you will find control of street railroad and power companies with much present profits and more future possibilities. Turn to Pittsburgh and there is a nest of natural gas, power and traction companies which are at present the greater part of the united system. The United Railways Investment Company enjoys the usufruct of these numerous subsidiary companies; its directors are co-trustees and co-directors everywhere. Each property is contributing streams of revenue that fill the central reservoir.

Owing to politics the United Railroads of San Francisco, one of the western ends of the U. R. I. Co., is at present the weakest point in the system's armor. But all the attacks have so far been warded off successfully.

The men in control of the United Railways Investment Co. believe that the purpose of these assaults is to try to buy the San Francisco roads at a bargain for direct control and operation by the city. These roads are now entirely free of the personalities that formerly gave some apparent excuse for hostility and their earning power has been steadily growing in recent years. The record of the United Railroads of San Francisco in the last five years is shown in the table on opposite page.

Exact comparisons are impossible

for later date, owing to a change in the period covered by the fiscal year. But as against the foregoing average of $452,272 a year, the fiscal year ended June 30, 1914, showed a final surplus of $1,398,291, and 1915 gave $807,526. Jitney competition is affecting the San Francisco trolleys on the short city lines of trolleys having a negligible effect. On the other hand, the Panama-Pacific Exposition has for months been adding to the revenues, and business on the Coast is reviving as it is elsewhere. The internal position of the San Francisco roads has been improved, for whereas the total funded debt and obligations to subsidiaries was $40,000,000 in 1909, it was $36,395,000 on June 30 last. In the meantime there appears in the balance sheet of the company $1,925,000 borrowed from the California Railway & Power Co., leaving a net reduction in debt out of earnings in the last six years, of $1,680,000, with the physical condition of the properties fully kept up. There has been no increase in capital stock or other charges to capital account in the interval.

United Railroads of San Francisco

Final Surplus at December 31, 1909	**$404,472**
Final Surplus at December 31, 1910	**601,909**
Final Surplus at December 31, 1911	**185,792**
Final Surplus at December 31, 1912	**627,951**
Final Surplus at December 31, 1913	**441,238**
Total five years	**$2,261,362**
Yearly average	**452,272**

In its ownership of the California Railway & Power Co. the United Railways Investment Co. controls the Coast Valley Gas & Electric Company and the Sierra & San Francisco Power Company—properties that are developing or distributing electricity and gas for heat, lighting and power purposes and which no true son of the Golden State would admit did not have great prospects of prosperity through the growth of his native commonwealth.

The United Railroads of San Francisco is now taking a part of its power from the City Electric Company, an independent organization. Its contract, however, expires in 1917, when it will be able to obtain this service from the Sierra & San Francisco Power Company, thus turning into the general "pool" the expenditures at present going elsewhere.

The year's remarkable revival in the iron and steel industries, however, makes the Pittsburgh properties of the United Railways Investment Company the centre of interest. Direct ownership is held by it of the Philadelphia Company, which counts among its many controlled subsidiaries the Pittsburgh Railways Company, the Duquesne Light Company and the Consolidated Gas Company of Pittsburgh. The Pittsburgh railway system from 1909 to 1913 recorded an average annual deficit of $1,307,353. The dates of the fiscal year were then changed but in the fiscal years ending March 31, 1914 and March 31, 1915, there were surpluses respectively of $114,278 and $100,000. These results were achieved during a period of extreme industrial depression in the Pittsburgh district, when Steel was a pauper. Today that industry is wearing the apparel of the proverbial prince and a recovery in the earnings of all properties operating therein is assured.

But the railway earnings accruing to the Philadelphia Company are but a small part of its total revenues. Its principal business is the supplying of illuminating gas, natural or fuel gas, electric light and power through the various subsidiary parts of its system. A chart of the rise and fall in the pig iron production of Allegheny County, Pa., would show a line in the sales of natural gas by the Philadelphia Com-

pany closely coincident. We may be sure that the unprecedented pig iron output now in course will carry to this company a like output and sale of its fuel gas. It may be stated that through good years and bad the managers of the Philadelphia Company, possessed a complete faith in the property's future and have been constantly expending heavy sums to improve and enlarge its equipments. Today that equipment is claimed to be able to distribute 350,000,000 cubic feet of gas daily, compared with 260,000,000 feet, the gross earnings recorded are over $32,500,000. Deductions of every character bring out a consolidated balance of nearly $3,000,000 available for improvements, betterments, extensions, extraordinary expenses and dividends on common stock. The proportion applicable to the common stock of the United Railways Investment Company figures out, exactly $1,369,790, or 6.715 per cent. The exact amount charged against income for improvements, extensions, etc., by the several companies in the system was $860,434. The re-

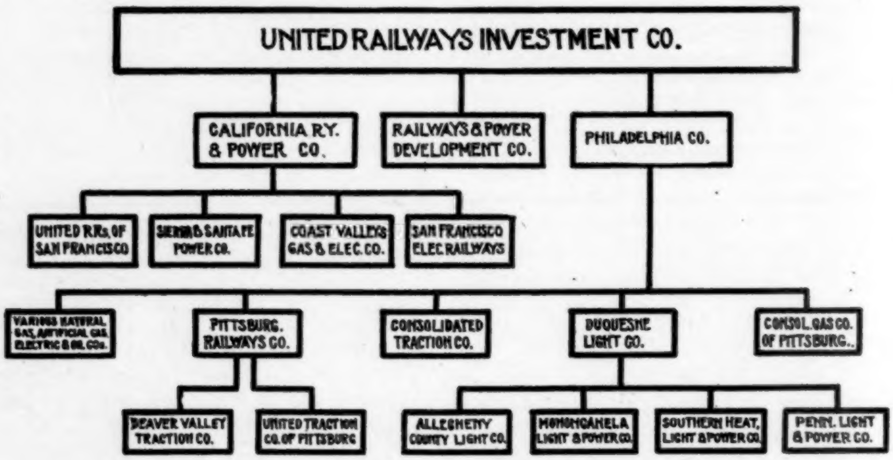


Diagram showing relation of United Railways Investment Company and subsidiaries

highest amount ever distributed in one day by the corporation.

The last annual report of the United Railways Investment Company, covering the year ended June 30 last, presents a table showing the consolidated earnings and expenditures of the various companies controlled by it, considered as one system. It embraces a period that represented the country before industrial depression had been succeeded by the activity and higher profits now evident in many directions and spreading as on a rising tide to new quarters. The aggregate sulting balance applicable to the common stock of the United Railways Investment Company is $828,705, or equal to a trifle over 4 per cent. This furnishes the investor with a basis from which he may approximately judge the effect of net changes in earnings which are reported periodically from the several constituent properties of the United Railways Investment system. These earnings are now increasing under the stimulus of industrial revival, opening prospects of financial improvement more promising than at any time since the system was constructed.

Railroads vs. Public Utilities

Their Future Growth—Development of Railroads—Of Public Utilities

By JOHN E. LIGGITT

A HUNDRED YEARS from now the period through which we are passing will be regarded by students of financial matters as one of the most interesting and vital in the history of this country. We do not propose to refer to the developments brought about by the European war, but rather to look at the changing channels of investment demand in this country.

The most impressive feature of the past few years has been the increasing popularity of public utility issues, they displacing to a great extent with the private investor the well seasoned railroad issues. This popularity has been well deserved for in no other single class of investments have the earnings and growth shown such a healthy and steady increase. This has proven true, both in times of prosperity and adversity throughout the country.

It is interesting to look ahead and to draw some parallels between the probable growth in gross between these companies and the rails.

Today it may almost be said that the period of railroad development in this country has ended. There are very few sections of this land that are not efficiently served with railroads, and it is to be doubted if we will see any more large new railroad construction in this country. By this the writer does not mean to infer that the railroad developments have ceased, but rather that the future building operations will be confined largely to improving the local demands of the territory served. In other words, the growth and earnings will depend largely on intensive developments, improvements and economies which the railroads are able to make on their existing lines.

The public utility companies on the other hand, particularly those furnishing electricity, are constantly reaching out and developing new territories. Through the furnishing of cheap and constant power by these companies it has been possible to develop highly, certain sections of the country that were useless from a manufacturing or commercial point of view before the inception of this power. In prosperous communities too, millions of dollars of property value has been created by this modern use of electricity.

This country is not served with electricity today as fully as it is with railroads. The demand for power is constant and increasing and new companies are promptly extending their services to reach this demand. One has only to look at the large Western power developments to see what it means to a country to have this electricity available.

New uses are being found to develop this electrical business every day until now it is used to move trains over the Rocky Mountains, or furnish constant power for the farmer to use in irrigating his land, and operate some of the largest mines in the world.

The building of these new power developments has been rapid, but the demand has grown faster than the supply. The next few years will undoubtedly show as rapid a development and extension of business as has occurred in the past.

The trend of public sentiment, which in the beginning was hostile to developments of this nature, has greatly changed. The old idea of passing laws to hamper the growth of public utilities, as being something to frown on, has passed and instead the masses of people now eagerly welcome the new developments, when based along sound lines and under proper regulation. This change in sentiment will also tend to make the growth of these utilities more rapid, and their use more diversified.

The plants in small towns which operate under a local management, often

with antiquated machinery, and in a haphazard fashion are being rapidly acquired by the larger companies. With their capital, and experience in managing plants, it is rare if the local property does not materially increase its business, even at the outset.

The companies in this and other sections of the country are opening up the land as truly as were the railroads in 1880, and their growth will be much along the same lines. Both classes of corporations furnish a necessity. Ultimately, of course, the field will be covered by electricity as thoroughly as it is now covered by the railroads, but that situation will not exist for many years yet.

Notes on Public Utilities

American Light & Traction.—EARNINGS for yr. ended Sept. 30 showed increase of $586,000 net. Construction will begin at once on a by-product coke plant to be erected on 60-acre tract of land in N. E. Minneapolis. Co. will probably earn 5% more for common stock in 1915 than in 1914.

Brooklyn Rapid Transit.—EARNINGS for quarter ended Sept. 30 showed increase of $37,000 in net and $54,000 in surplus.

Cities Service.—BALANCE for common for 12 mos. ended Sept. 30 was 12.8% against 11.5% in preceding 12 mos. Pfd. dividends have not been paid since July 1, 1914, but the properties have been greatly improved financially and physically.

Consolidated Gas (N. Y.).—Dividend basis of 7% yearly now regularly established is believed to be the forerunner of a plan to distribute treasury assets later.

Hudson & Manhattan.—IMPROVEMENT in traffic leads officials to predict that co. has turned the corner. Sales of tickets during Oct. increased more than 6% over preceding yr.

New York Edison.—PUBLIC SERVICE Commission requires Co. after Jan. 1, next, to discontinue use of Gem lamps and to furnish consumers Tungsten lamps of equal power. This will give about double the amount of light for the same cost and will not interfere with Co.'s revenues, provided an equal number of lamps are used.

New York, Westchester & Boston.—SEPTEMBER revenues were well ahead of last year, and with completion of connections with New York City transportation lines, earnings should soon cover expenses and begin to contribute something toward interest charges. Interest on Westchester's bonds held by the public was paid, being guaranteed by the New Haven Railroad. New Haven lists its investment in the Westchester at a book value of $13,910,000.

United States Lighting & Heating.—ELECTRIC STARTER branch of business has shown good increase on account of activity in automobile industry. Expected that improvement in equipment situation will bring more orders for the car lighting system. Substantial orders have been received from abroad for dry batteries.

Peoples Gas, Light & Coke.—EARNINGS for the yr. 1915 to date are running considerably above the 8% annual dividend requirement.

Philadelphia Co.—SPECIAL MEETING of stockholders has been called Dec. 28 to increase common stock $2,500,000 for purpose of paying off floating indebtedness incurred in making extension and improvement and for additional working capital.

Twin City Rapid Transit.—EARNINGS for 9 mos. of 1915 showed increase of $59,000 in gross, but a decrease of $181,000 in surplus after charges.

United Railways Investment.—ANNUAL REPORT for yr. ended June 30, 1915, shows gross earnings of $32,574,000, total income of $14,400,000, balance for dividends on common stock $2,071,000, or about 4%. This statement includes no charges for depreciation or sinking funds.

Western Union.—LAND LINE INCOME is running not less than 25% more than a year ago. Over 75% of co.'s total income is derived from its land lines. Co. will probably show a balance of 10% earned on its $100,000,000 stock for full yr. 1915, in spite of the highest maintenance and depreciation of any yr. Its cable business is showing a heavy increase due to the war. For yr. ended June 30, last, 7.4% was earned on stock against 3.7% in 1914.

RAILWAYS & INDUSTRIALS

United States Steel

How Improved Conditions Are Affecting Earnings—What the Future Holds Forth—Will End of War Cause Slump in Steel Trade—The Outlook for Resumption of Common Dividends

By FRED L. KURR

TEN years ago Charles M. Schwab made a prediction that by 1920 steel production in the United States would be running at the rate of 40,000,000 tons annually. Many were inclined to believe that his statement was to be taken with several grains of salt. Today that estimate is in a fair way of being realized. Current steel production is running at the rate of 37,500,000 tons, and new figures are likely to be established with each succeeding week.

Under the impetus which has been given to the steel industry there naturally arises the question of where it will all end. What are the indications as to the future? Will Mr. Schwab's figure be exceeded this year? Will it result in over-production, a consequent collapse of price structures and a repetition of the conditions which came after the "boom" year in steel of 1907? Will demand keep pace with production throughout, or will it actually exceed the country's capacity to produce? In short, will there be a steel famine as is hinted at in some quarters?

Growth of Steel Industry

The United States today, as noted, is producing steel at a rate in excess of 37,500,000 tons annually. The estimate of 40,000,000 tons is therefore not far from realization. Only, it comes about five years ahead of time. But that is not Mr. Schwab's fault. His estimate was built up on a conjectured normal growth of the country and an expansion of the steel industry consistent with that growth. He could not foresee the assassination of the Archduke Francis Ferdinand at Sarajevo. At the time Mr. Schwab's prediction was made, steel production was running at the rate of but 20,000,000 tons per annum. Five years before that, in 1900, production had just crossed the 10,000,000-ton mark.

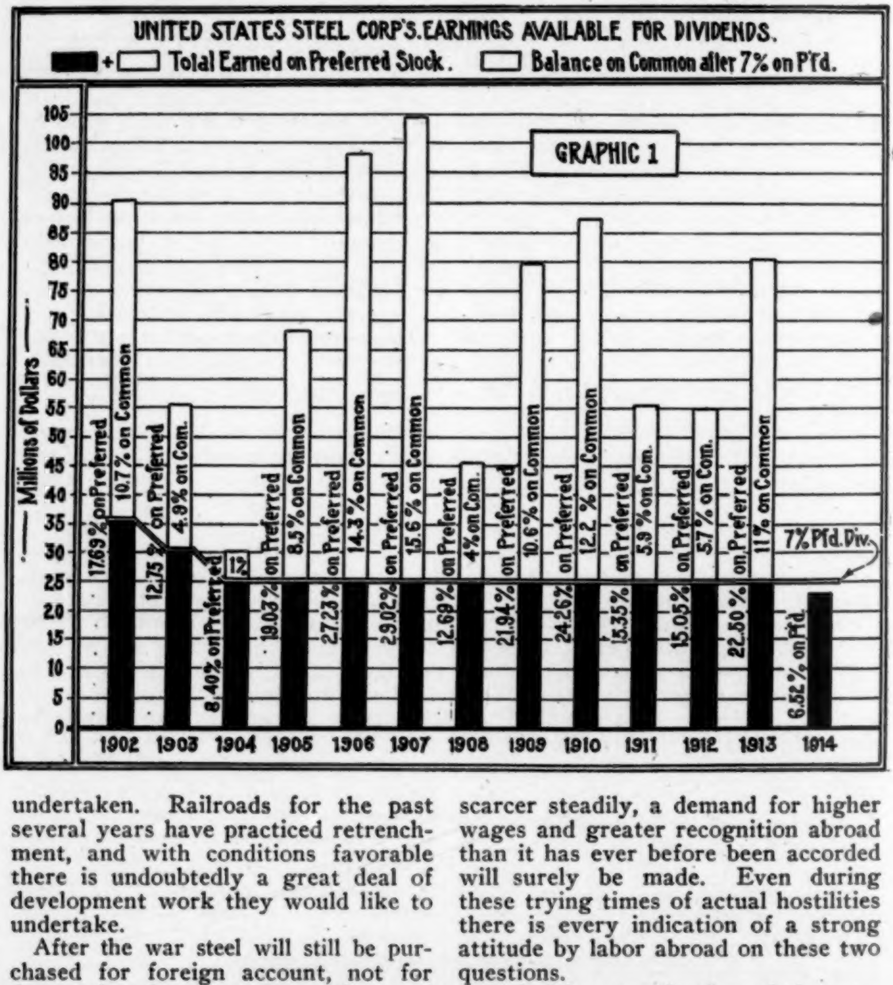
The present demand for steel has never been equaled, but, curiously enough, prices are still several dollars per ton lower than they were in that record-steel year of 1907. Of course, it is a foregone conclusion that if demand keeps up prices will undoubtedly reach, and very likely surpass, the high average of that year.

The most insistent of present bidders for steel are the railroads, and their activities can hardly be said to partake of the nature of war business. Their demand tends to stabilize the market for steel, and incidentally serves to minimize the fear or apprehension as to what will result if there were to be an early cessation of war. What would follow a more or less abrupt ending of hostilities is a big problem in itself, and an obscure one. The general conviction that steel is dependent fundamentally upon war orders still perseveres, and that an early peace would hurt the steel business is the dominant thought of the steel community.

After the War What?

Another view is that the ending of the war will mean the beginning of an extensive program in the United

States. Business men of the country are not inclined to undertake new projects or borrow money for expansion, except for war order businesses, until the great issue across the water is settled. With peace declared and a great part of Europe's gold in this country, a new period of development on a much broader and more fundamental basis than at present could be undertaken. Railroads for the past several years have practiced retrenchment, and with conditions favorable there is undoubtedly a great deal of development work they would like to undertake.



After the war steel will still be purchased for foreign account, not for destruction, but for construction, and the United States will undoubtedly get the bulk of these orders. Steel men do not manifest any fear of the volume of cheap steel England and Germany will be able to produce, for, bound up in the question of cheap steel production, is the question of labor and money. It is practically certain that none of the belligerents can go very far in the offering of cheap money. For that commodity they would have to seek the United States. And as for labor, which is growing scarcer steadily, a demand for higher wages and greater recognition abroad than it has ever before been accorded will surely be made. Even during these trying times of actual hostilities there is every indication of a strong attitude by labor abroad on these two questions.

A decisive termination of the war, regardless of which side holds the winning hand, naturally will be followed by a gradual cessation of the manu-

facture of war munitions. New war orders would, of course, stop at once, and work would be continued only on unfinished contracts in which the American manufacturers are well protected. The question to be decided, therefore, is, will increased domestic demand and foreign demand for constructive purposes develop fast enough to take the place of lost war business and prevent a temporary slump in the steel industry. It is the best opinion, however, that while the loss of the war business may cause a temporary slump, there will be a rapid recovery which will bring steel production in this country to a level never before dreamed of.

After the war Great Britain and France will be out best customers. Germany also, which has been selling millions of tons of steel to European nations, will have to come to the United States for help. It will require years for Germany to recover from the war. And the recuperative powers of Great Britain and France are hardly greater. Their great industrial organizations will be shattered, and it will be many years before the steel industry will be restored to the scale of operation before the war.

The volume of business that can be handled by the steel companies of the country is governed largely by the relation of ingot capacity to "finished" capacity. Heretofore finished capacity, including semi-finished, has always exceeded the ingot capacity by a large margin, but additional facilities for increasing crude steel production are being hastened by many of the leading companies, and another year will witness the respective capacities more nearly on a parity.

Orders for steel from purely domestic sources are the features of the current steel market. Buying by the railroads in an effort to make up for their retrenchment policies of the past few years, industrial plant enlargements, and new steamship and bridge construction, are crowding the market at a rate of over 400,000 tons a week, a figure which is raised to approximately 850,000 tons by the addition of war orders.

Prospects for Higher Prices

The steel market is literally boiling. On certain grades of steel, sales in the current quarter will be on a basis of \$2 to \$5 a ton above prices in the preceding quarter. Just what significance attaches to this it might be shown in the instance of the United States Steel Corporation. This company is producing at the rate of 14,000,000 tons of steel annually, so that every dollar advance means \$14,000,000 a year additional earnings. All mills are crowded with work, and many are practically out of the market for certain grades of steel.

The recent formation of the Midvale Steel & Ordnance Company gave rise to rumors that plans were under way by the controlling interests to bring about an extensive merger of independent plants. As things have developed, however, there is not much likelihood that a new combination of steel companies will materialize. Midvale may be regarded as a completed whole,

TABLE 1

Capitalization of U. S. Steel Corporation at Four-Year Intervals

	1914	1910	1906	1902
U. S. Steel Bonds	\$442,439,000	\$465,189,500	\$455,000,500	\$301,059,000
Bonds of Subsidiaries	184,592,724	131,130,661	107,120,680	59,654,900
Preferred Stock	360,281,100	360,281,100	360,281,100	510,281,100
Common Stock	508,302,500	508,302,500	508,302,500	508,302,500
Total, Stock and Bonds	\$1,495,615,324	\$1,464,903,761	\$1,430,704,780	\$1,379,297,500

and the aim of the management seems to be the development of the plants as they stand. But even if a new merger came to pass, it would not inject any new element into the steel situation, for it would be merely a combination of properties already actively in the field under a centralized control, making for greater efficiency in costs and production.

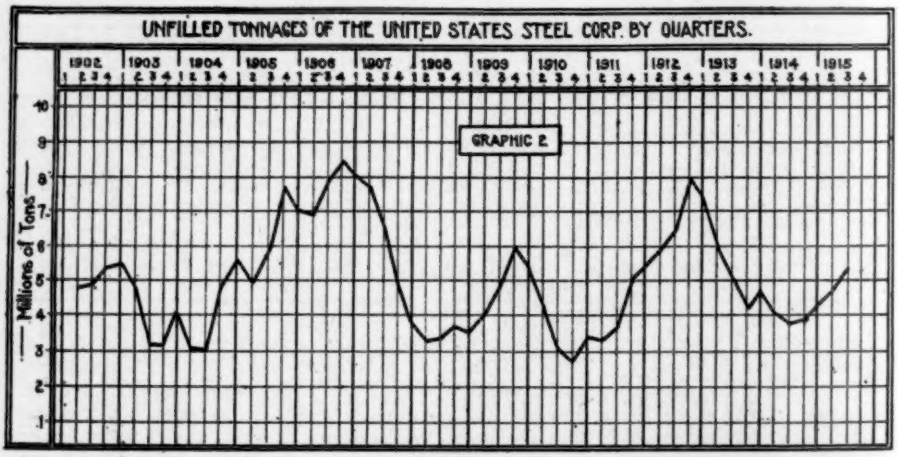
Just what significance the new armament program of the administration has is quite apparent, though difficult to measure in dollars and cents, so far as the steel industry is concerned. With war likely to continue for some time, however, and with the United States also in the field for new equipment for the army and navy, the steel companies seem assured of a large source of revenue from this source for some time to come.

The ability of foreign countries to purchase after the war such quantities of steel as they will require for reconstruction purposes is seemingly not being questioned. True, the prospects of peace are still far removed, but England and France have already shown the way towards the acquisition of commercial credit with the United States, and the fact that some of the European countries after the war may confront a heavy indemnity will hardly be permitted to stand in the way of the acquisition by them of a reasonable amount of commercial credit under some special insurance.

U. S. Steel Corp. Earnings

Graphic 1 shows the earnings available for common dividends over a period of years, and Graphic 2 shows the fluctuations in unfilled tonnage. Unfilled tonnage it will be noted is still far from the maximum of 7,932,000 tons reached in December, 1912, being only 5,317,000 tons on September 30, 1915.

Table 1 shows the capitalization of the United States Steel Corporation in various years, and Table 2 summarizes income accounts since 1902. Surplus earnings not paid out in dividends, but turned back into the property during that time, as shown by the table, were well over $300,000,000—more than one-fifth the total capitalization of the company, or $60 per share on common stock.



Earnings of the United States Steel Corporation for the third quarter of the current year were at the rate of 14.2 per cent. on the common stock annually. The earnings of the last month of the quarter, September, were at the rate of 16½ per cent. on the common stock. Production in the last quarter of the current year will be much larger and on a higher price basis. In view of this earnings for

the quarter should run at least as high as $45,000,000, which would be equivalent to an annual rate of about 20 per cent. on the common stock. With these large earnings realized when directors meet to consider the dividend question in January it would hardly seem probable that they could justify withholding longer a dividend from the common stock.

Common Dividend Outlook

Steel producers are looking forward to 1916 as the greatest year in steel's history. Production, as well as earnings, are expected to break all records. If the war lasts six months longer there is no doubt but that the most optimistic forecasts will be realized. That net earnings of the steel companies will show up much larger in 1916 if the present trend in the steel trade continues there is no reason to doubt, as prices now, in spite of their advance, are still several dollars a ton lower than they were in the record breaking year of 1907, and will undoubtedly advance nearer that level.

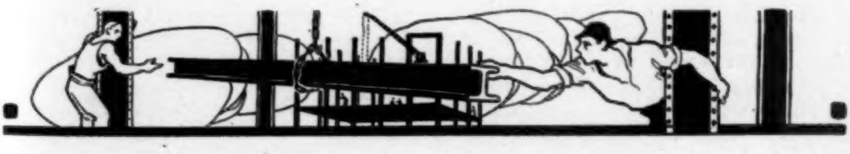
United States Steel common at present prices appears very cheap if the optimistic views on the steel situation are realized. In any event it is in a stronger position now then ever before in its history, for which the constructive and conservative policy of the corporation's management must be duly thanked and appreciated by the thousands of stockholders.

TABLE 2

Condensed U. S. Steel Income Statements—Years Ended December 31

	Net Earnings	Interest and Deprec.	Surplus for Divs.	Preferred Stk. Div.	Common Stk. Div.	Surplus for Year
1914......	$71,663,614	$48,166,847	$23,496,768	$25,219,677	$15,249,075	$16,971,984*
1913......	137,181,345	55,964,359	81,216,986	25,219,677	25,415,125	30,582,184
1912......	108,174,672	53,934,623	54,240,049	25,219,677	25,415,125	3,605,247
1911......	104,305,464	49,005,168	55,300,296	25,219,677	25,415,125	4,655,494
1910......	141,054,754	53,647,567	87,407,187	25,219,677	25,415,125	36,772,385
1909......	131,491,413	52,417,718	79,073,695	25,219,677	20,332,100	33,521,918
1908......	91,847,710	46,118,997	45,728,713	25,219,677	10,166,050	10,342,986
1907......	160,964,673	56,399,109	104,565,564	25,219,677	10,166,050	69,179,837
1906......	156,624,273	58,495,684	98,128,589	25,219,677	10,166,050	62,742,862
1905......	119,787.658	51,202,165	68,585,493	25,219,677	....	43,365,816
1904......	73,176,522	42,908,993	30,267,529	25,219,677	....	5,047,852
1903......	109,171,152	53,754,498	55,416,654	30,404,173	12,707,562	12,304,919
1902......	133,308,764	43,002,239	90,306,525	35,720,177	20,332,690	34,253,658

*Deficit



A War-Proof Railroad—Atchison

New High Records—Increased Efficiency—Prospects for the Stock

By G. C. SELDEN

IN the fiscal year ended June 30, 1915, which included the panic period of the war and did not include the revival of business which began late last summer, the Atchison road set new high marks for its entire history on the following items, among others:

Gross earnings.
Net earnings.
Other income.
Dividends paid on common stock.
Percent. earned on preferred stock.
Maintenance of equipment.
Average train load.

Under the circumstances that is certainly a good showing—in fact a wonderful showing.

What enabled the Atchison to stand up and take the blow of the world's greatest war without the quiver of an eye lash?

One reason was big crops in Kansas, Oklahoma and Texas; but that was far from being the only reason. To understand fully these remarkable results it is necessary to take a more comprehensive view of the position and operation of the road.

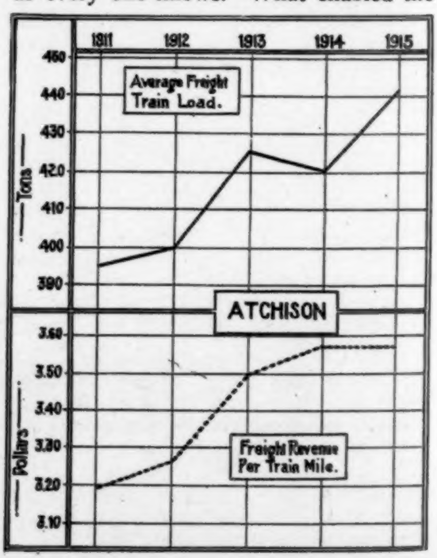
A Well-Balanced System

The Atchison is usually thought of as one of the Transcontinentals. It reaches from the Great Lakes and the Gulf of Mexico on the East to the Pacific on the West and handles a good deal of through business from Chicago to the Coast; but a glance at the accompanying map makes it clear that the transcontinental business is, on the whole, the least important feature of its traffic.

What the Atchison does is to spread its net over Kansas, Oklahoma, Eastern Colorado and a part of Texas and drain the business from this big, rich, growing section in three directions—to Chicago, to Galveston and to the Pacific Coast. It also has a line the full length of California. It also reaches Phoenix, the Grand Cañon, El Paso, and Pecos in West Texas, Denver, Oakdale, La., Joplin, Mo.

In 1915 three-eighths of its traffic consisted of products of agriculture, another three-eighths of products of mines. About fifteen per cent. of its traffic was manufactures.

Good gross earnings were the basis of the road's prosperity in 1915, as they always must be for any road; but something more was necessary, for the freight rate per ton mile was the lowest since 1909—0.97 of a cent against 1.03 cent in 1912—and the average passenger rate was down to 2.07 cents per mile against 2.22 cents in 1913. Costs have risen, too, as every one knows. What enabled the



road to meet rising costs with reduced rates and still record the best year in its history?

Efficiency

The trick might have been turned by skimping maintenance of way or maintenance of equipment—but it wasn't. The total amount applied to maintenance of way was greater than ever before except for two years—1910 and 1913—and was over $1,200,000 ahead of 1914. Maintenance of equipment was greater than ever before.

Six big Western systems compare as follows for the five-year average of maintenance per mile:

C., M. & St. Paul	$2,371
Mo. Pacific	2,253
No. Pacific	2,875
Rock Island	2,320
So. Pacific	3,251
Atchison	3,247

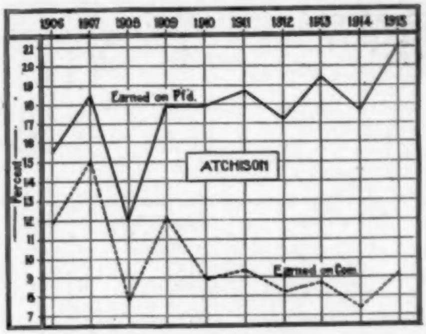
Atchison does not suffer by this comparison.

It was—after good gross earnings—increased operating efficiency that made the splendid showing possible. A diagram herewith shows Atchison's average freight train load from 1911 to 1915. In the five years it rose from 394 tons to 442 tons—a fine achievement, due to bigger locomotives and cars, a better roadway, more economical handling of traffic. As a result the freight revenue per train mile rose in spite of lower rates, as shown on the lower part of the same diagram.

It was foresight that did this—foresight which led to the gradual building up of road and equipment to higher and higher standing, conservative methods of financing, the handling of the road with a view to the interests of stockholders and of the public rather than for the profit of insiders.

Earnings on the Stock

Another diagram shows the per cent. earned on the preferred and common stock for ten years. There has been no change in the amount of preferred outstanding during that period and the per cent. earned on it is therefore the best measure of the earning capacity of the road, as the amount of the funded debt also has changed but little.



The common stock outstanding has now reached the $200,000,000 mark, as against $102,000,000 in 1906. The increase has come about for the most part through the conversion of convertible bonds into stock. The result is that the position of the bonds and the preferred stock has been greatly strengthened at the expense of the common stock—yet earnings on the common have held their own since 1910 and for 1915 they were 9.2 per cent. against 6 per cent dividend requirements.

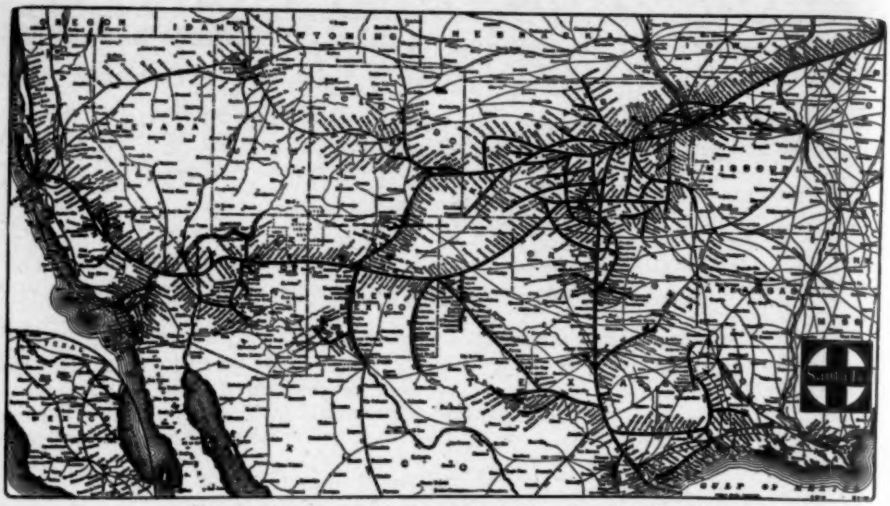
Reduced to its simplest terms, the situation is that for ten years Atchison has financed its extensions and improvements by common stock or by convertible bonds which have been converted into common stock, and has made those extensions and improvements pay well enough to keep the earnings on the common stock, thus enlarged, running from 8 to 9 per cent. Evidently the improvements were entirely justified from the revenue producing point of view as well as by the needs of the public.

Prospects

No other conclusion can be reached about the present position of the road than that it is highly satisfactory. What of the future?

In regard to this we can only say that the road's prospects are highly encouraging. Rates can scarcely be reduced further in Atchison territory and there is a fair probability that some increases may be granted.

The fact is that Atchison can make money on rates that have put a number of its competitors into receiverships. If rates should be raised to a point that



Showing Expanse of Territory Served by the "Atchison"

would give its competitors a living, Atchison would be still more prosperous than it is now.

The road will have to contend with Panama Canal competition before long. It has had to meet a certain amount of such competition already. Officials estimate that the Canal will reduce Atchison revenues $1,000,000 or more yearly. For a system of the size of Atchison, this is not a very serious item. Of course some of the traffic destined for the Canal will go over the Atchison to Galveston. The exact amount to which the Southern transcontinental lines will suffer from Canal competition in future years can only be guessed at.

Natural growth of territory is the strongest bull card on Atchison. The sections tapped by the road are nearly all new country, only half developed or less. With the usual interruptions due to business reactions, the territory of the road will continue to yield more and more traffic for many years to come which should be reflected in earnings.

MANY persons forget that a stock certificate represents only *limited proprietorship* in the enterprise and that there is attached to it those liabilities and limitations which attach to a business partnership. A stock is merely the right to share in profits and in such equities as may be left after prior creditors are satisfied.

The Chain Stores

How Nickels and Dimes Grow into Millions—The "Guinea Pig" Idea in Business—Three of the Most Prominent Five-and-Ten-Cent Companies—Their Records, Investment and Speculative Prospects

By BARNARD POWERS

OF chain stores there are many kinds but none of greater interest, viewed financially or industrially, than the five-and-ten-cent stores companies. Unquestionably psychology has had a great deal to do with the development of the five-and-ten-cent business. It plays an important part in most successful enterprises which reach directly to the pocket-books of the public. Each customer who enters a five-and-ten-cent store becomes a rich man—for the moment. He says to himself, "Anything I see and want, I can buy." For the moment he is lord of all he surveys. This may seem a trifle, perhaps, on which to predicate a great enterprise, but the aggregate of such trifles is the measure of success. The "thank you" of the United Cigar Stores salesman costs the company $40,000 a year to maintain, but it is a great asset of a great business.

Writing of the five-and-ten-cent stores not very long ago the editor of THE MAGAZINE OF WALL STREET dubbed them the "Guinea Pig" companies. Why? Because they multiply so rapidly. The characterization still stands and is difficult to improve upon. The successful corporations of this class have started as small concerns—usually very small. Self propagating and continually reaching out into new territory they have increased until from one or two initial stores, they have expanded into a chain of hundreds of stores. It is figured by the experts in the employ of the big five-and-ten-cent companies that every town or city of ten thousand inhabitants is big enough to support a store of this sort. So that while the chain store idea has grown enormously in the last few years it has by no means reached the limit of its development.

Among the five-and-ten-cent stores perhaps the best known are the F. W. Woolworth Co., the S. S. Kresge Co. and the McCrory Stores Corporation. The two former are listed on the New York Stock Exchange while the latter is traded in upon the Curb market. Table 1 shows the essential features in the financial make-up of these three corporations. It shows that as far as size goes, the Woolworth Co. over-towers the others as the great building bearing the same name, over-tops the adjoining structures.

TABLE I.—ESSENTIAL STATISTICS COMPARED

	Woolworth	Kresge	McCrory
Preferred stock	$14,000,000	$1,828,000	$1,250,000
Common stock	50,000,000	5,000,000	5,000,000
Good will, etc.	50,000,000	4,376,026	4,000,000
Working capital	13,802,276	1,332,102	938,451
Surplus	8,367,392	1,653,363	......

The development of these three companies is based upon a few simple but fundamental ideas which apply in a marked degree to all three. They are:

(1) Selling to all classes the small things which enter into everyday life.

(2) An enormous turn-over with comparatively small margins of profit.

(3) Co-operation with the managers and buyers in sharing of profits.

(4) Constant application of well established principles of efficiency and economy.

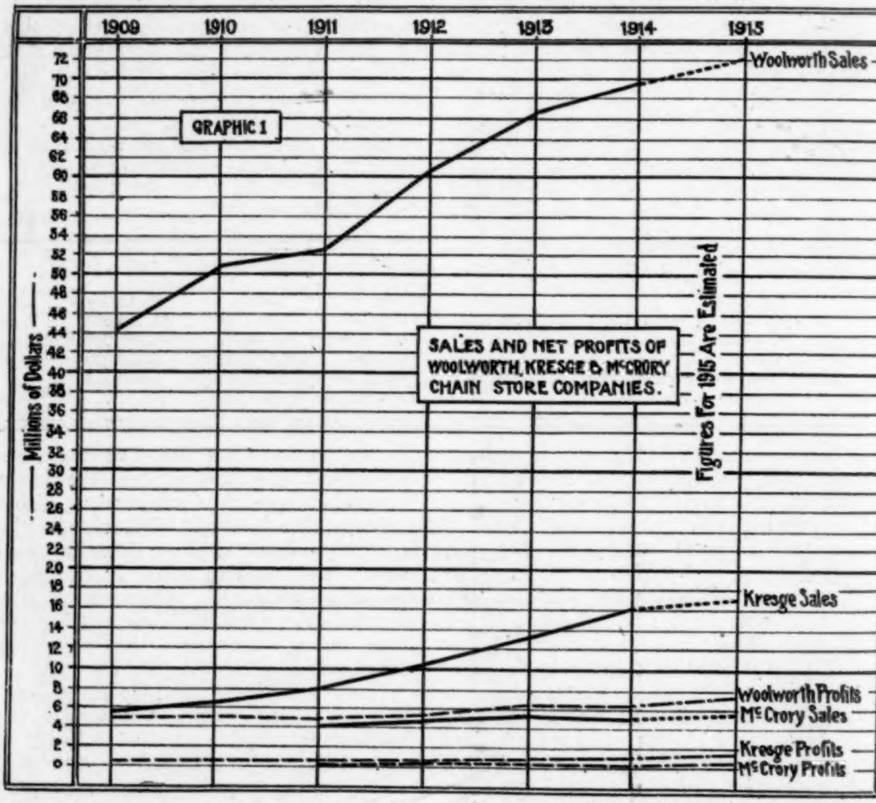
The above principles are not the whole

story, but they are the essential part. The result has been satisfaction on the part of patrons as indicated by Graphic 1, which shows the steady and large increase in sales which has meant prosperity for officers and stockholders as shown in Graphics 1 and 2, giving the growth of profits and earnings on the common stocks of these companies.

F. W. Woolworth Co.

Thirty-five years ago Frank W. Woolworth started the first five-and-ten-cent store in a little town in Pennsylvania. He had the "big idea" of small profits and lots of them. The nickels and dimes poured in, slowly at first, but faster and faster. People liked a store where they could go in and buy anything in sight. Gradually Mr. Woolworth enlarged his business, opening new stores wherever a favorable opportunity presented itself. The stream of nickels grew to a river, and as years went it became a torrent and then a jingling flood of silver.

At the present time Mr. Woolworth is at the head of upwards of 735 stores situated in the United States, Canada and Great Britain. The growth of the five-and-ten-cent chain store has proven that this particular kind of business is "panic-proof." In fact business is better in bad times than in good. When the world feels poor and everyone is economizing, the crowds which throng this kind of stores are greater than ever. Again it is psychology which plays an important part. Graphic 1 brings out clearly the steady and uninterrupted growth of the five-and-ten-cent companies.



While the Woolworth idea has been in operation for upwards of thirty-five years the present company has had a corporate existence of only about 4 years. Be-

fore that time the original Woolworth Company was a very close corporation. In December of 1911 the present company was incorporated to acquire the F. W. Woolworth & Co. property and a half dozen other companies in the same line of business. The stock capitalization was $64,000,000 of which $50,000,000 was common stock and represented frankly in the assets side by the entry "good-will."

Intangible assets are in many cases the most valuable. In this case an idea, properly executed, has reared a great industrial organization and made its originator a multi-millionaire. That the Woolworth Company has not over-valued the "good-will" asset is shown by Graphic 2, giving the earnings on the common stock which represent the good will. The proof of the pudding is in the eating. No good-will account can be properly said to be too great on which a company has demonstrated its ability to earn substantial profits.

Woolworth started its new corporate life by paying 5¼ per cent. on the preferred and 2 per cent. on the common. The following year, 1913, saw the full 7 per cent. paid on the preferred which has been since maintained. In the same year 5½ per cent was paid on the common stock and in the next year common dividends totaled 6 per cent. Woolworth is now paying 7 per cent. on the common as well as the preferred stock.

Sales for Woolworth for the 1915 year to end December 31, are estimated to be between 70,000,000 and $73,000,000. In Graphic 1 this sales figure is assumed to be $72,000,000. The per cent. of net profits saved out of gross for the year 1911 is shown to have been materially increased for the 1913 fiscal year due very largely to more economical buying on the part of the Woolworth Company after it was provided with working capital in 1912. For the two following years the average saved for net profits was 9.54 per cent. of sales. If sales increase some $2,500,000 for the 1915 fiscal year, as is figured, it may be conservatively estimated that the ratio of profits to sales will be 10 per cent.

This would mean earnings available for the common stock of between 12 per cent. and 13 per cent., which is by far the best showing the company has yet made.

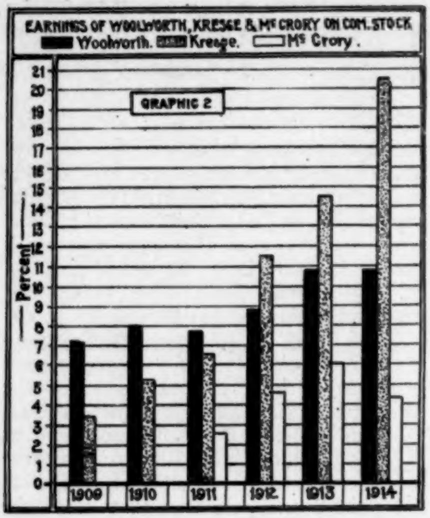
S. S. Kresge

Some seventeen years after Mr. Woolworth had started out with his big idea in Pennsylvania, another man by the name of S. S. Kresge started in a similar line of business in Detroit. His original capital was $6,700 which he used to such good purpose that the company which bears his name last year did a business of more than $16,000,000 and profits this year are estimated to be running at the rate of about 25 per cent. on the common stock. While this company cannot compare in bulk of business with the Woolworth Company, it is nevertheless in some respects the most successful as well as the most interesting of the three under consideration. Referring to Graphic 2 one perceives that while the other two companies have been able to show fairly consistent increases in the amounts available for common dividends the Kresge earnings for its common stock has risen by leaps and bounds. In addition it has shown a considerably larger percentage of gain in gross business than the other two. In this concern the elements of efficiency and economy have reached a high stage of development. One reason why Kresge has been able to show such large margins of profits is the fact that the president has pared down overhead expenses to the last degree.

Kresge has $1,828,000 preferred stock and $5,000,000 common stock. It was incorporated in April, 1912, to take over the chain of 85 retail S. S. Kresge stores. The company now owns upwards of 125 stores and is growing rapidly. From the start this concern has paid 7 per cent. on its preferred stock. In 1913 common dividends were inaugurated with 2 per cent. on the common stock followed by 5 per cent. in 1914. For this year to date the common has paid 6 per cent.

The Kresge "Melon"

At a recent meeting of the stockholders President Kresge announced that owing to the growth of the business it is proposed to form a new company with a common stock capitalization of $10,000,-



000 to take over the present company. This announcement means a "melon" of 16 shares of new stock for each share held in the old company, the par value of the new stock to be $10. In addition each shareholder owner of old stock will be allowed to subscribe for 2 additional shares of new stock at $10 a share. The million dollars thus obtained will be used for the further development of the company.

If the common stock of the Kresge Company is earning 25 per cent. this year, as is unofficially estimated, then net profits should be the sum of $1,250,000 (25 per cent. on $5,000,000 common stock) and $126,000 (7 per cent. on $1,800,000 preferred stock), or $1,376,000. Assuming that Kresge saves 8 per cent. of gross sales for profits—and 1913-14 per cent. figures more than justify this estimate—then the gross sales for 1915 will be $17,200,000.

The McCrory Stores Corporation

Less widely known, perhaps because it has just recently come into public purview, is the McCrory Stores Corporation. This company was incorporated in Delaware last May as successor to the J. G. McCrory Co. It owns and operates directly or indirectly a chain of 113 five-and-ten-cent stores situated in New York, Philadelphia, Washington and other cities and towns of the eastern and southern states. It has $1,250,000 preferred stock, $5,000,000 common stock and like the other two concerns, no bonded debt. The company is paying full 7 per cent. dividend on its preferred stock and nothing as yet on the common stock. So stable is the chain store business of this nature that those who are closest to the company estimate not only sales but profits for as far as two years ahead. We publish these estimates since they are at least interesting:

Year	Sales	Profits	% on Pfd.
1915.....	$5,500,000	$390,000	31
1916.....	6,500,000	600,000	48
1917.....	7,800,000	720,000	57

The foregoing estimates of earnings of the McCrory Co. would indicate that it will not be long before the common stockholders may look for something in the way of dividends. For several years past this company has been hampered by lack of working capital, but this handicap has been removed by recent financing.

Future of the Chain Stores

Comparatively speaking the chain store idea is in its extreme infancy, but the success achieved by many of the larger companies operating on that idea is astonishing and is constantly attracting a larger and more substantial investment following. A self propagating and panic-proof business is one that has little to fear in comparison with any successful line of commercial activity. The companies mentioned, of course, owe their success not only to the "big idea" but to the energetic and shrewd development which has characterized them. Guinea-pigs to be good guinea-pigs must be well handled.

Careful students of financial and economic conditions are of the opinion that the five-and-ten-cent companies have still a great field for expansion, not only here but in other countries of the world. The freedom of the leading concerns in this line of business from bonded debt, their independence of fluctuating business conditions and their faculty for self-propagation gives their securities not only a very sound investment rating, but highly desirable prospects for increase in market values.

What An Investor Ought to Know About a Railroad

CORPORATE STRUCTURE

A system or an individual, independent line. An operating company or a leased line; a holding company or a combination of these various forms.

GEOGRAPHY

General direction of the road or system and the section of the country traversed and the States traversed. Large city terminals at various points along the line. Character of the land traversed, mountainous, seacoast or prairie. Connections with other lines, both main and secondary and proximity to other lines that parallel or compete.

PHYSICAL FACTS

Facts about mileage. Number of miles of the different kinds of track operated. Characteristics of the road—grades, weight of rails and other similar considerations affecting operating efficiency.

TRAFFIC AND OPERATING CONSIDERATIONS

General commercial characteristics of the territory traversed and kinds of traffic produced; facts about the density of freight and its classification. Ton mile rate and the operating efficiency as shown in the number of freight cars in a train, etc.

MAINTENANCE

What the company has done over a period of time to keep up its physical condition in the way of appropriations for maintenance and betterments to the property, whether the amounts as spent are sufficient as judged by the circumstances of the road and by comparisons.

INCOME AND EARNINGS

Comparative table of income and earnings, gross and net over a period of years; analysis of gross and net earnings and also of Other Income to see where this Other Income comes from, whether from stocks or bonds held.

EXPENDITURES OUT OF CURRENT REVENUES

What the company is spending out of its earnings for the upkeep and betterment and improvement of the property.

BETTERMENTS AND IMPROVEMENTS

What has been done in the way of betterments and improvements over a period of years and where the money to do it came from—whether it came from earnings largely or whether the company borrowed money with which to do it.

CHARACTER OF ASSETS

What kind of securities are held in the treasury and whether most of the company's securities are pledged or whether they are free.

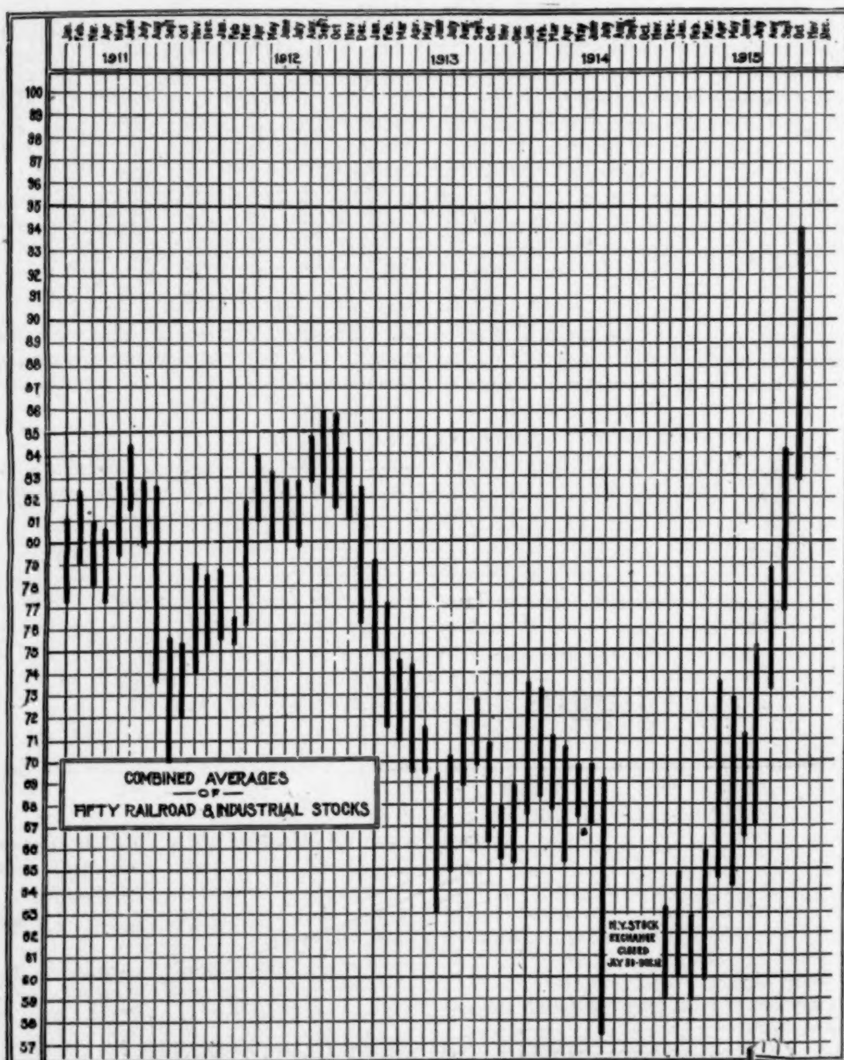
ANALYSIS OF THE COMPANY'S CAPITALIZATION

As to whether the greater part is bonds or stock and what proportions they bear.

Combined Average Graphic

The chart appearing below shows the swings of the market, as indicated by the combined average prices of fifty railroad and industrial stocks, by months, for the past four years to date. The heavy black lines represent the extent of the swings.

It is interesting to note that during the past month a greater swing was recorded than at any other time during the period covered.



Maxwell Motors

Will It Become a Second Ford?—Prospects for the Present Year

By NORMAN MERRIMAN

THE YEARS 1909 and 1910 witnessed a great boom in the automobile industry. The boom was followed by a period of depression in 1911, in which year a number of important companies came to grief. Among those going into receiver's hands was the United States Motors Company which manufactured several well known and popular cars. The cause of the receivership was the same as that which drove the American Locomotive Company out of the automobile business—namely, the company's inability to keep the overhead down to a satisfactory figure.

The Maxwell Motor Company, Inc., was formed in 1912 by the committees acting in the interest of the creditors and security holders of the U. S. Motor Company. At the foreclosure sale of the latter company's properties in January, 1913, these were bid in by the Maxwell Motor Company.

Mr. Walter Flanders, who had been largely instrumental in creating the highly successful Everitt-Metzer-Flanders Company, became president of the new organization. It was decided that the company should build only low priced cars and that the company should manufacture only one type of chassis—with various bodies. In this way it was expected that overhead charges would be kept down to a satisfactory degree. Following out this policy, the company disposed of a number of factories and concentrated its operations in its plant at Detroit, Michigan. Two auxiliary plants are also operated at present, one of them being located at Newcastle, Indiana, and the other is at Dayton, Ohio.

The product of the Maxwell Motor Company, as stated above, consists almost exclusively of low priced cars. The present model of five-passenger car sells for $695, this being considerably cheaper than the Willys-Overland, but about two hundred dollars higher in price than the Ford. That there is a large and a growing demand for cars of this type and price is evidenced by the fact that during the first year of its existence the company probably manufactured and sold less than twenty thousand cars, while during the present fiscal year (the third year of the company's existence production will probably total 75,000 cars.

A production of 75,000 cars will make the Maxwell Company one of this country's five leading automobile manufacturers. At the present time the Ford and Willys-Overland Company alone exceed this production, although the General Motors Company and the Studebaker will undoubtedly both exceed it during the present year, and it is possible that the Chevrolet Company may approximate this mark. The automobile business is steadily becoming concentrated in the hands of a few large producers and it is daily becoming harder for the makers of high-priced cars, which are made in small quantities, to succeed.

This opens up the question of *selling cost,* on which the success or failure of the automobile manufacturer depends. The average amount paid by the purchaser of a high priced automobile, *to cover the amount it costs the company to sell the car to him,* will pay for a Buick or an Overland, or for two or three Fords, Maxwells or Chevrolets. The man who buys a car selling for $4,000, pays as much as he would for about four Buicks, but the cost of materials in the high priced car obviously is not over twice that of the Buick. If the cost of labor and materials is $700 greater, and this seems like an outside figure, the purchaser has paid $3,000 more to get $700 additional value. This difference of $2,300 is chiefly due to added selling cost, although part of it is undoubtedly due to additional "buying cost."

The purpose of this digression is to point out why the future of the makers of low priced cars is roseate, although the future of the makers of high priced cars is dubious in the extreme. An interesting example in point is the Chandler Motor Company. This company is an offshoot of the Lozier Company, almost all the officers of the former having originally been connected with this corporation. Five years ago the Lozier was probably the best car built in the United States, but in spite of this fact it was made in such small quantities, and the company's selling cost was so high that the concern was ultimately forced into a receiver's hands. The Chandler organization, at the very start, however, put the cost of the car at a figure low enough to eliminate about two-thirds of the Lozier's selling cost. A car was produced that compared favorably with the Lozier and the company grew by leaps and bounds. Last year its profits, on a capitalization of $450,000, amounted to about a million dollars.

The wisdom of the management of the Maxwell Company, in appreciating this situation, has made the company what it is today. Had the officers continued the policy of the old company, the reorganization would have done little for the security holders of the old U. S. Motors Company.

The Maxwell Motor Company has an outstanding capitalization as follows:

First Preferred 7% cum	**$12,279,332**
Second Preferred 6% non-cum	**10,127,468**
Common	**12,778,058**

The total value of the assets of the company, exclusive of good will, is given in the balance sheet as $13,392,000. This figures about $112 per share on the first preferred, or deducting the par value of this issue, leaves a balance of $14 per share on the second preferred, and nothing at all for the common stock. The value of good will is given as $26,500,000 or about twice the total net tangible assets. It must be remembered that when this company was formed, old securities of other corporations were exchanged. The value of the goodwill at that time was not believed to be $26,500,000, but this item was merely inserted to make the balance sheet balance. There was at that time undoubtedly a value to the goodwill of the company, but it possessed no such value as represented in the balance sheet.

The most common criticism heard concerning Maxwell stocks concerns this item of goodwill. It is true that the proportion of actual assets to goodwill is much smaller than is desirable, but it must be remembered that the true test of goodwill is earning capacity. The book value of the stock of the General Motors Company is approximately $170 per share—excluding goodwill. The price of General Motors common stock is now about $370 per share or $200 more than the book value. The goodwill of the company is therefore appraised at $200 per share. The item of goodwill in the company's balance sheet is approximately $8,000,000, but Wall Street appraises this goodwill at $33,000,000 or *more than 400% of par.* If the general Motors' goodwill as given in its balance sheet is worth 400% of par it seems conceivable that the Maxwell's goodwill is worth 80% of par. If this were the case, then Maxwell common and second preferred would both be worth par.

As the value of goodwill cannot be determined by comparison, however, we must study the earning power of the company to judge the position of its securities. For the year ended July 31, 1914, the company reported net earnings amounting to $1,505,467. This showed 12.26% earned on the first preferred stock, 6.38% earned on the second preferred, and 0.30% on the common. For the last fiscal year the total net earnings amounted to $2,303,000, or 18.76% on the 1st preferred, 14.26% on the second preferred and 6.55% on the common stock.

The recent spectacular rise in the common to a price of over 90 and its present price of about 70 indicate that the Street expects something better of the next annual statement of the company. The writer has already stated that the production of the company's cars will probably reach 75,000 this year. Assuming that the price to the dealer is $575,* this would mean a gross revenue of about $42,000,000* for the next year. The history of successful automobile

companies shows that the percentage of profit to gross sales can be figured at about 12½%†. This would mean net earnings of about $5,250,000 *indicated* for the next fiscal year. The amount required to pay the dividend on the two preferred stocks is about $1,467,000, so that net earnings of $5,250,000 would mean a total of $3,783,000 earned on the common stock. This is almost 30%, and the present price of the common stock does not seem too high when this is taken into consideration. Nevertheless, Maxwell common seems to have decided possibilities in front of it. The probability of exceptionally good earnings during the present fiscal year is by no means the only favorable factor. The company is rapidly reaching the position of the Ford Company, and if its product can earn the reputation for dependability possessed by the latter's, it will in time become a dangerous competitor. The dependability of the car has to some extent been demonstrated or the demand would not have increased in about a year from 2,000 to 6,000 cars a month; without any material change in the amount spent for advertising. The Ford sells itself and the Maxwell is beginning to reach this enviable position.

A few months ago, the Street was puzzled as to why the second preferred stock sold lower than the common, and this wonder was logical when both were selling in the twenties or thirties. There is no particular reason to wonder at this now, however. The second preferred stock being a non-cumulative issue, the company need not pay dividends on it, if the money is needed for the increase of the company's manufacturing facilities. In view of the rapidity of the Maxwell Company's growth, and the present prospect for its continuance, it seems fairly obvious that the company will pay no dividends on the second preferred until it is in a very free position as far as cash is concerned. When this time comes the common may share in the profits to an unlimited extent, and if profits are 30% or more on the common stock, this issue will then receive much more liberal dividends than the second preferred.

The first preferred stock can now be regarded as a fair grade investment, which is likely to become a seasoned issue in the course of time. The company has no bonded debt of any kind, no mortgage can be placed on the company's property without the consent of 75% of the preferred stockholders. If the estimate of about $5,000,000 net earnings for the next year is borne out in the next annual report, the company will have earned more than six times the dividend on the first preferred. The dividend was earned about 2½ times over in the last year.

The company has recently announced a plan for paying the preferred dividends in script, which can be converted into first preferred stock at par or may be paid in cash, without interest, at some future date. This plan will give the present holders of the preferred, if they convert their script into stock, a return of about 12½% instead of the 14¼% which is now accrued. This is, of course, based on the assumption that the script is sold at prevailing prices, which are naturally based on the present price of the first preferred stock.

Taking this dividend script into consideration, the present price of the stock can be figured by the investor at 85, instead of 97½. The yield on the stock at 85 would be over 8%, which seems rather high when one considers the company's prospects. The stock is not yet, however, entitled to a high investment rating as its record of dividend payments is too short to allow it to be ranked with the preferred stocks of other automobile companies, like the General Motors, Co., the Studebaker Corporation or the Willys-Overland Co.

*These figures may seem too high, but it must be remembered that the Maxwell company inherited from the Briscoe company, which was one of the U. S. Motors Company subsidiaries, contracts for the manufacture of radiators, fenders, hoods, tanks and other pressed metal parts, which it manufactures, and sells in large quantities to more than seventy automobile concerns, a number of which obtain their sole supplies of this kind from the Maxwell company. The sales of these articles will almost certainly make up any difference between actual price at which the car is sold to the dealer and the price figured.

†The Willys-Overland Company has always exceeded this figure; the General Motors Company exceeded it 2½ per cent. in the last year; and there is every reason to believe that the Ford company's figure of net profits is much greater than that given. Exact figures are not available on most companies, but reliable estimates make the figure quoted seem conservative for a company of this class.

Investment Digest

INDUSTRIALS

Aetna Explosives.—RECEIVED ORDER for 10,000,000 lbs. of smokeless powder from Europe at about $1 a pound, and has contracted for picric acid output for 1916 and to middle of 1917. Said to have acquired three new plants recently, two in U. S. and one in Canada.

Allis-Chalmers.—EARNINGS THIS year expected to equal 10% on preferred. Is going after war orders on independent basis.

American Brake Shoe.—BOOKED WAR order valued at $10,000,000 for high explosives for British army.

American Brass.—DECLARED REGULAR quarterly dividend of 1½% and 1% extra.

American & British Manufacturing.—NEW JERSEY Court of Chancery has affirmed decision adjudging International Power Company bankrupt. Latter owns 40,000 common shares and 14,000 preferred shares of American & British Co.

American Coal Products.—DECLARED REGULAR quarterly dividend of 1¾% on preferred.

American Hide & Leather.—NET EARNINGS for September quarter showed surplus of 3.4% on preferred and were at rate of 13.2% per annum. Quarter was largest in company's history.

American Linseed.—REPORT FOR year ended September 30 will be best ever issued. Good earnings due to high prices for essential oils and large sales of "Sawtay butter" product. Company plans to manufacture glycerine which has advanced from 20c. to 60c. a lb.

American Locomotive.—TURNING OUT shells at Richmond plant at rate of 7,000 a day. Has $32,000,000 of war orders calling for 1,250,000 high explosive shells and 1,250,000 shrapnel shells.

American Malt.—ANNUAL REPORT for year ended August 31 shows .07% on preferred against 2.29% previous year. Is manufacturing alcohol for powder companies, and shutting off of beer from Germany is helping company's business.

American Shipbuilding.—REPORT FOR year ended June 30 shows net of $175,770 and balance after charges of $5,406.

American Steel Foundries. — SIGNED CONTRACT for war materials valued at $20,000,000. May earn enough to pay off bonded debt.

American Window Glass.—REPORT FOR year ended August 27 shows surplus over charges of $1,973,616, compared with $1,710,427 for 1914.

American Woolen.—CLOSING OF war order with Russian Government for $7,000,000 of woolen goods accompanied by report that dividends on common stock are likely. Profit on Russian order estimated at about $10 a share on common.

Beet Sugar Crop.—PRIVATE ESTIMATES place beet sugar crop at 775,000 tons against earlier estimates of 850,000 tons.

Bethlehem Steel. — CHARLES M. SCHWAB and directors are opposed to changing par from $100 to $10. Schwab admits book value of stock next year may be higher than any price yet reached in the market.

Bliss (E. W.).—MARKET ACTIVITY in stock said to be due to efforts of certain financial interests to obtain control. Company is spending $175,000 on new building in Brooklyn.

Canadian Car & Foundry.—PRESIDENT CURRY predicts gross business for year to end September 30, 1916, will total $160,000,000, as compared with $27,000,000 the best previous year in company's history. Has booked third order from Russian Government for shells amounting $50,000,000.

Carbon Steel.—ORDERS ON hand total $14,463,325, of which $1,769,360 are for domestic business. Net earnings from domestic business for year are given as $191,648 and surplus after charges $72,421.

Car Lighting & Power.—ADDITIONAL CAR equipment orders have been taken besides recently closed large contract with several prominent railroad systems.

Carriage Factories, Ltd.—HAS FORMED Canadian Briscoe Company, which will assemble parts in Canada from American Briscoe Company.

Central Leather.—EARNINGS FOR September quarter were largest in company's history and were equal to 3% or at rate of 12% per annum on common stock. Directors declared a dividend of 4% on common.

Chandler Motor Car.—UNDERWRITING of new stock at $85 a share reported largely oversubscribed. Proceeds to be used for working capital and to expand plant capacity to production of 20,000 cars annually. Sales last year totaled 7,500 cars with net profits of more than $1,000,000. Estimated profits on production of 15,000 cars are $2,000,000, equivalent to nearly 30% next year upon the $7,000,000 stock to issue.

Colorado Fuel & Iron.—PRESIDENT WELBORN says reports of orders of sales to French Government erroneous and misleading. Orders from that source can be handled by one mill.

Continental Can.—NEGOTIATIONS for

$20,000,000 war order have been discontinued.

Continental Motor Manufacturing.—STOCKHOLDERS voted to increase capital stock from $500,000 to $2,900,000. Stock dividend of 100% declared. Surplus for year ended June 30 was more than $1,200,000, or $500,000 over 1914.

Corn Products Refining—NINE MONTHS ended September 30 showed balance for dividends of $1,933,805 and balance after dividends of $815,296, an increase of $208,101 over same period last year.

Crocker-Wheeler.—HAS BOOKED orders for electrical appliances totaling $3,000,000. Plants running at capacity.

Crucible Steel of Lima.—TO INCREASE capital stock from $50,000 to $100,000.

Distillers Securities.—INTERESTS CLOSE to company say dividend talk is premature. Expects to earn between 7% and 8% this year.

Dominion Steel.—EXPECTS TO obtain $15,000,000 of $50,000,000 shell order to be awarded in Ottawa.

Dupont Powder.—MAKING 750,000 lbs. of powder a day, on which there is a profit of at least $350,000. Profits running in excess of $100,000,000 annually.

Eastern Steel.—REPORT THAT company is to be taken over by Midvale Steel not confirmed. Resumed dividends on preferred by declaring 1¾%.

Emerson Phonograph.—COMPANY making first deliveries of $3 phonographs, and planning for manufacture of higher priced talking machines.

Ford Motor of Canada.—DECLARED 50% cash dividend and stock dividend of 600%. Capital increased from $1,000,000 to $10,000,000 to pay stock dividend. Net earnings for year ended September 30 equal to 45.7% on present stock.

Fore River Shipbuilding.—NOT PLANNING to retire $750,000 1st mortgage bonds. Business booked will keep plant busy for 18 months.

General Chemical.—EARNED FOR quarter ended September 30 at the rate of 50% per annum on common.

General Motors.—EXPECTED TO place common on regular dividend basis when stock dividend question is decided. Earnings for October quarter at rate of 100% per annum on common.

Goodrich (B. F.).—DECLARED REGULAR quarterly dividend of 1¾% on preferred.

Goodyear Tire.—OPERATING AT capacity.

Hendee Manufacturing.—REPORT FOR year ended August 31 shows profit of $601,529, compared with $711,556 for 1914.

International Harvester Cos.—INTERNATIONAL HARVESTER Corporation and International Harvester Co. have declared regular quarterly preferred dividend of 1¾%.

Hercules Powder.—EARNING AT rate of 60% on common. Report for nine months ended September 30 shows 28.65% on common, or at rate of 38.20% for the year.

Inland Steel.—DECLARED REGULAR quarterly dividend of 2%.

International Agricultural Corporation.—YEAR ENDED June 30 shows net deficit of $160,022 and total deficit of $975,725. Profits from sulphuric acid sales expected to exceed $2,500,000.

International Nickel.—DECLARED 5% dividend on common stock. Indications that year's earnings will show over 30% on common.

International Paper.—SHOULD EARN 5% on preferred this year. War has not benefited company.

Kelly-Springfield Tire.—PAR VALUE of common to be reduced from $100 to $25. Will be turning out 1,500 tires a day by December 1.

Lehigh Coal & Navigation.—DECLARED REGULAR quarterly dividend of 2%.

Liggett & Myers.—DECLARED REGULAR quarterly 3% common dividend.

Lima Locomotive.—RECEIVED ORDER for 50 locomotives from Illinois Central, making orders on books total 136 locomotives.

Locomobile Co. of America.—SHOPS RUNNING night and day, making motor trucks for Allies. Profits at rate of $2,340,000 a year are indicated.

Maxwell Motor.—REPORTED COMPANY earned full year's dividend on 1st and 2nd preferred stocks in first three months of current fiscal year.

Midvale Steel.—HAS BEEN offered contract for 3,000,000 additional rifles, but accepted orders for only 2,000,000 rifles, making total of 4,000,000 rifles to be turned out at Remington plant. Profits estimated at $15 per rifle, or total of $60,000,000.

New York Air Brake.—NEGOTIATING FOR new order for 2,000,000 shells. Present order calling for 1,250,000 will be completed by next June.

New York Shipbuilding.—WORKING AT capacity for first time in history and has orders on hand to keep plants busy for two years. Total business booked valued at $15,000,000.

Peerless Motor.—REPORTS FROM Cleveland say negotiations about completed

for sale of company to interests allied with General Electric Company. New company is to be formed with $10,000,000 stock all of one class and $5,000,000 10-year 6% convertible bonds.

Pennsylvania Steel.—W. H. DONNER has exercised option on one-half of Pennsylvania Company's holdings of Pennsylvania Steel's stock, thereby becoming owner of 45,800 shares of preferred and 46,950 shares of common. Prices reported are $85 for preferred and $58 for common.

South Porto Rico Sugar.—YEAR ENDED September 30 shows net of $2,413,532 against $711,246 for previous year. Surplus available for dividends equal to 8% on preferred and 62% on common.

Pressed Steel Car.—DECLARED REGULAR quarterly dividend of 1¾% on preferred. Completed order for 7,500 steel freight cars for Russia, followed by contract for 8,500 more.

Pullman.—EARNED 14.72% on stock for year ended July 31. Declared regular quarterly dividend of $2. Employing 8,000 men or twice total of year ago.

Republic Iron & Steel.—NEW BENZOL plant will be in operation by November 1 and by January 1 company will have increased open-hearth steel capacity 20%. New construction work about completed will give company capacity of 1,250,000 tons of ingots annually.

Riker & Hegeman.—STOCKHOLDERS will meet December 6 to confirm action of directors favoring passing of control to United Drug Co.

Rumely.—RECEIVER will sell by order of court Rumely plants in first week of December.

Stewart Warner Speedometer.—THIS YEAR'S earnings estimated at 16% on common. Declared regular quarterly dividend of 1½% on common and 1¾% on preferred.

Studebaker. — DECLARED QUARTERLY dividend of 1¾% on preferred, 1½% on common and an extra dividend on common of 1%. Extra dividend to be declared regularly hereafter.

Submarine Boat.—ALL OLD Electric Boat stock with exception of 1,261 shares has been turned in for exchange into new Submarine Boat Corporation stock. Spanish Government has ordered six additional submarines, making total orders placed 14. Company to construct two in this country and others to be built in Spanish shipyards, the company to receive $65,000 apiece in royalties.

Lake Torpedo.—WILL MAKE quick delivery of 6 submarines ordered by U. S. Government at cost of $545,000 each.

Thomas Iron Company.—STOCKHOLDERS VOTED to grant option at $55 per share on stock to interests said to represent Bethlehem Steel people.

United Cigar Stores.—PRELIMINARY REPORTS show October business largest in company's history.

United Drug Co. — FACTORY and wholesale business so far this year shows 35% increase over year ago.

U. S. Steel.—NET EARNING for final quarter estimated at between $45,000,000 and $50,000,000. Company will build 24-mill tin-plate plant at Gary. Unprecedented activity in steel industry.

Westinghouse Air Brake.—EARNINGS FOR year ended July 31 equal to 9.58%, compared with 17.74% for previous year.

Westinghouse Electric.—TO RECEIVE between $11,000,000 and $12,000,000 of shell business signed by American Steel Foundries Co., bringing total of war order business to about $90,000,000.

Willys-Overland.—ONE DAY in October production totaled 627 cars, August and September shipments increased 400% over same months last year.

Winchester Arms.—REPORTED IN banking quarters that control of company has been obtained at $3,000 a share and that stock will be turned over to Baldwin Locomotive or Bethlehem Steel at $5,000 or $6,000 a share.

RAILROADS

Atchison.—GROSS EARNINGS first 3 mos. of current fiscal year $32,122,000 against $30,415,000 in 1914 and $28,615,000 in 1913. Net after taxes was $10,589,000 against $9,903,000 in 1914 and $8,314,000 in 1913. Big grain movement is in prospect, with improvement in lumber and bituminous coal and ore. Temporary closing of Panama Canal gives co. extra business temporarily. (See article in this issue.)

Atlantic Coast.—EARNINGS 1st 3 mos. of fiscal year are smallest for 5 yrs.—gross $6,554,000 against $6,938,000 in 1914. However, net after taxes shows some improvement owing to operating economies—$768,000 against $512,000 in 1914.

Atlantic Gulf & West Indies.—GROSS EARNINGS 1st 8 mos. of 1915 about $1,500,000 over last yr., but not quite equal to 1913. Net earnings show big increase as result of higher ocean rates, so that surplus after charges for 8 mos. is $1,907,000 against $389,000 last yr.

Baltimore & Ohio.—BIG INCREASES in gross and net earnings. Results of last fiscal yr. demonstrate that co. can earn 5% on stock under almost any conditions. Management has been building up the property for 5 yrs. and is now in position to reap results.

Boston & Maine.—PROPOSED REORGANIZATION is opposed by minority

stockholders on the ground that stock was valued by Mass. officials in 1906 at $165, and physical condition of property is now better than it was then. Recent improvement in earnings encourages belief that road might pull through without reorganization.

Canadian Pacific.—FREIGHT TRAFFIC for October was about double that of October, 1914, and increase in net for the month will be more than $2,500,000.

Chesapeake & Ohio.—EARNINGS 1st 3 mos. of fiscal yr. far exceed all previous records. Movement of coal is very heavy, and a larger proportion of it goes to Tidewater, giving co. a longer haul.

Chicago & Alton.—ANNUAL REPORT for yr. ended June, 1915, shows deficit of $1,690,000 against deficit of $2,762,000 in 1914. Gross earnings were about the same, but operating expenses were cut down over $1,200,000.

Chicago & Northwestern.—EARNINGS first 3 mos. of fiscal yr. showed decrease in both gross and net from both 1914 and 1913. An increase in other income brought surplus after charges a little above 1914, but not quite up to 1913.

Delaware, Lackawanna & Western.—EARNINGS are being maintained very evenly, net after taxes for 1st 3 mos. of fiscal yr. being $3,719,000 against $3,572,000 in 1914, $3,628,000 in 1913 and $3,672,000 in 1912.

Erie.—HEAVY BUSINESS is being handled easily as result of new facilities provided in past few yrs. Sept. gross was 12% greater than last yr., and the highest on record. Oct. is expected to be still greater. Co.'s surplus for calendar year will probably be at least $5,500,000. Dividends, however, have not yet been discussed by directors.

Illinois Central.—PRES. MARKHAM says: "We will not do any new financing of importance now. Without any direct war business, traffic is increasing, and diversified farming in the South is making a much more stable business." Gross for 1st 3 wks. in Oct. increased $475,000.

International Mercantile Marine.—EXTRAORDINARY EARNINGS from war business. Bond interest is in default, but co. has on hand $18,000,000 cash, and is earning $4,000,000 a month. Expected that earnings for full yr. 1915 will equal 80% on outstanding pfd. stock. An early move to lift the co. out of receivership is probable.

Lehigh Valley.—WAR BUSINESS is helping this road, as it serves Bethlehem Steel and other munition plants. Gross 1st 3 mos. of fiscal yr. gained about $188,000 over 1914. Co. has ordered 10 Mikado locomotives and is having 20 locomotives rebuilt. In the last few mos. co. has spent over $2,500,000 on equipment.

Missouri Pacific.—EARNINGS 1st 2 mos. of fiscal yr. showed a decrease of $301,000 in gross and decrease of $413,000 in net operating income. Expenditure for maintenance of way increased $71,000 and for maintenance of equipment $91,000. Kuhn, Loeb & Co.'s plan for readjustment and reorganization is still under discussion.

New York Central.—IMPROVED EARNINGS which are expected to equal 7½% on stock for 1915 have encouraged higher prices. However, it is not believed that any increase in dividends can be expected for some time to come.

New York, New Haven & Hartford.—ANNUAL REPORT showed only 1.4% earned on stock, but there was a big drop in operating ratio to 71.69 against 78.29 in 1914 and 74.24 in 1913. This ratio is now about back to normal. Passenger rates averaged 1.82c. per mile against 1.71c. in 1914 and freight rates 1.43c. per ton mile against 1.41c. in 1914 and 1.35c. in 1913. For the 1st quarter of the new fiscal yr. gross increased $1,509,000 over 1914, or an increase of nearly 9%. Pres. Elliott estimates road's needs for new facilities at $25,000,000 in next 5 yrs. Co. also faces possible sale of subsidiaries carried on its books at $135,000,000, which at present have actual value far below this book value.

Northern Pacific.—SURPLUS after charges 1st 3 mos. of fiscal yr. increased $933,000 over 1914, although gross decreased $407,000. This increase was due to reduced operating expenses and maintenance.

Pennsylvania.—SALE of Southern Pacific stock owned by co. is being discussed. It would undoubtedly be sold to anyone who would pay a satisfactory price. Gross earnings for Sept. were largest for any one month in co.'s history except Aug. and Oct., 1913. Co. has placed a 175,000 ton rail order for 1916, largest since 1913. Heavy purchases of equipment are also being made.

St. Louis & San Francisco.—REORGANIZATION plan is nearing completion, agreement having been reached as to its essential features. Will probably be submitted to Mo. State Commission next week. It provides for new stock, common and preferred, and an initial assessment of $5 on all classes of existing stock with option of paying an additional assessment of $45 or complete abandonment of the plan and forfeiture of the original $5 by non-assenting stockholders at the end of a year or 18 mos. It is proposed to issue a new mortgage or income bond at 5% in place of present 4% issue, other bonds to be replaced by new issue.

Southern Pacific.—ANNUAL REPORT showed smallest per cent. earned on stock for 8 yrs. Possibility of sale by Penna. R. R. of its holdings of So. P. stock tends to keep down the price. Co. has about 14,000,000

acres of land holdings, but these do not seem to have much influence on investors. Co. suffered from combination of adverse factors last fiscal yr. First 3 mos. of present fiscal yr. net shows good increase—$13,927,-000 against $10,545,000 in 1914, $13,373,000 in 1913 and $13,912,000 in 1912.

Southern Railway.—OPERATING RATIO for 1915 fiscal yr. was 78.4 and has risen steadily from 70.8 in 1910. This was chiefly due to the very sharp falling off in business in the South, and a considerable reduction in this ratio is probable for the 1916 yr. Increased operating efficiency is shown by the heavier train load, which was 382 tons against 339 tons in 1914. As recently as 1908 the train load was 228 tons. Physical condition of roadway and structures is as good as ever it has been and equipment is in normal condition.

Toledo, St. Louis & Western.—ANNUAL REPORT for yr. ended June, 1915, showed a decrease in total net income of $651,000. There was a big jump in ratio of operating expenses and taxes to gross—80.8 against 72.8 in 1914—largely accounted for by charging to operating expenses the requirement of obsolete equipment.

Union Pacific.—EARNINGS 1st 3 mos. of fiscal yr. show increase of $255,000 in total operating revenue, and increase of $124,000 in net operating income.

Wabash.—WINSLOW S. PIERCE, chairman of old Wabash board, of reorganization committee, and of the new board, says: "Reorganization will eliminate nearly $45,000,000 fixed obligations. Receiver's certificates amounting to nearly $15,000,000 have been paid off without subjecting the new organization to any fixed charge. The readjustment should put the co. on a sound financial basis.

Investment Inquiries

NOTE.—Answers as published in this magazine are selected and condensed from the very large number of inquiries received from our readers. All such letters are answered by mail in advance of publication, hence stamped and self-addressed envelopes should accompany them. Subscribers' inquiries are given the preference in order of answering.

Good Rails

F. G.—We would suggest Baltimore & Ohio, New York Central, Norfolk & Western and Southern Pacific as good railroad stocks to buy. These are all conservative investment stocks, and under present conditions seem likely to sell at higher prices before the present upward movement is over.

Other railroad stocks of a somewhat more speculative tinge, but apparently having good prospects for a further advance, are Chesapeake & Ohio, New Haven, Southern Railway preferred, and Seaboard preferred.

Duluth, South Shore & Atlantic

S. A.—Duluth, South Shore and Atlantic is a road that has had a chronic deficit for years, and we do not see any special inducement to buy the stock. It is likely to sympathize somewhat with any general upward movement in the railway list, but we think many other stocks could be selected which would have better prospects.

United Fruit—Westinghouse

M. N.—Estimates of United Fruit's earnings for the fiscal year ended September 30 place the net around $7,500,000. This would mean a balance of $1,500,000 over the best previous year in the company's history, and would allow something like 16 per cent. on the common stock.

On September 22 an official statement was issued by the directors of the Westinghouse company, stating that the company had firm contracts for the manufacture of war munitions aggregating approximately $60,000,000, the greater proportion of which was in the form of contracts for rifles to be manufactured at factories in New England acquired for that purpose. It is unofficially estimated that net profits of $18,000,000 from rifles would mean 50 per cent. on the present outstanding common stock. These profits will not show, however, until dividends are declared by the New England Westinghouse company. It is prophesied that by midwinter earnings will be running at the rate of 25 per cent. on the common.

Big Four

L. M.—Big Four earnings were very poor during 1913, 1914 and the first half of 1915, so that dividends were discontinued on both the common and preferred stocks. Recently earnings have shown decided improvement, but it is doubtful if dividends are resumed until the road is in a stronger position. The present trend of railroad earnings generally is upward, and all railroad stocks have advanced in sympathy with that tendency, Big Four among the rest. The stock is not very active, and we do not think it is especially attractive as a speculation.

Tobacco Products

C. H.—Tobacco Products Corporation was incorporated in New York, October 16, 1912. It controls through stock ownership twelve

tobacco companies. The company has an authorized issue of $8,000,000 7 per cent. cumulative preferred, $7,000,000 outstanding and $16,000,000 common, $160,000 outstanding.

From organization until December 31, 1913, the company showed earnings equivalent to $2.52 per share, and for the last year $1.98 per share. The management has followed the policy of retiring the preferred stock from earnings. Originally there was $10,000,000 preferred, and when $2,000,000 was retired the certificate of incorporation was changed so that the authorized issue became $8,000,000. Last year another $1,000,000 of the preferred was retired.

This policy makes for the increase of both the intrinsic value of the remaining preferred and common. The preferred is paying the full 7 per cent. dividends.

We regard it as a good long-pull speculation.

Mercantile Marine

L. H.—International Mercantile Marine pfd. is an attractive speculation. The stock has had a very considerable advance but has not fully discounted the favoring features in the situation, in our judgment. The company is making something like 70 per cent. annum on the preferred. The reason it has not sold higher is found in the quarrel between the bondholders and the stockholders. As long as the war continues the company seems certain to make enormous earnings. Many persons believe that it will go to 75 or even higher within the next year. It appears as though the two opposing factions in the company would be obliged to get together on a basis more favorable to the preferred stockholders than originally contemplated.

Chesapeake & Ohio

S. Z.—We believe that Chesapeake & Ohio is likely to sell at higher prices before the present bull movement is over. The stock must be classed as a speculation rather than strictly as an investment, because of the recent bond issue which requires the road to apply large sums to betterments during the next few years. This, however, is continually adding to the value of the property, and we expect to see this road an assured dividend payer in time. We of course refer to long-pull operations.

International Paper

H. C.—International Paper preferred is selling rather high at $43 a share for 2 per cent. stock, but its price would seem to indicate that the time is drawing near when the company will be able to do something better in the matter of dividends. Last year the company earned 5 per cent. on the preferred, and earnings are somewhat better this year to date.

Steam Pump

M. H.—There seems to be little market at the present time for International Steam Pump securities. Last May the stock was struck from the trading list of the Stock Exchange because the company was ordered dissolved on April 28 by the New Jersey Court of Chancery. Since then the stock has been traded in on the Curb, and the last bid and asked prices of which we have record for the preferred were 5-10.

It is estimated that the reorganized company should be able to earn at a rate not less than 6 per cent. on the common stock.

International Motors

H. H.—It is reported that the International Motors Company will be reorganized. One plan is reported to have been drawn up but abandoned, and it is said that another will be submitted. Earnings for the 12 months ending next December will be, it is estimated, in excess of $700,000, which would be equivalent to 20 per cent. on the preferred stock. We have no figures on the company's orders in hand. Contrary to the general belief, International's improved condition is due not so much to the war orders as to improvement in domestic business. While this stock may sell higher, in view of the lack of information as to its affairs we regard it as quite speculative.

Market Statistics

	Dow Jones Averages 12 Inds.	20 Rails.	50 Stocks High.	Low.	Total Sales.	Breadth (No issues).
Monday, October 25	117.76	103.06	93.90	92.04	1,126,800	209
Tuesday " 26	117.66	103.45	93.99	91.85	1,086,700	205
Wednesday " 27	117.27	103.35	91.39	91.93	1,086,700	203
Thursday, " 28	116.08	105.00	92.59	89.36	1,448,900	213
Friday " 29	118.59	106.26	93.40	91.29	1,355,400	223
Saturday, " 30	121.29	107.04	93.52	92.31	674,900	212
Monday, November 1	117.63	107.89	93.51	90.79	1,136,500	241
Wednesday, " 3	117.18	107.90	92.47	89.77	1,116,200	249
Thursday, " 4	119.91	108.28	91.98	90.21	1,106,400	234
Friday, " 5	119.15	107.05	92.24	90.06	956,400	247
Saturday, " 6	118.69	106.56	90.33	88.92	444,200	188

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand well up in this table, because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries.

Railroads	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909.	1910.	1911.	1912.	1913.	1914.	1915.	Present price.	Earnings last fisc. year on present price.	
Colorado & South'n, 1st pfd.	0	0	25.9	34.7	27.0	17.6	19.6	4.8	*12.1	58	20.9	
Twin City Rapid Transit com	6	6.1	9.9	10.9	11.0	11.3	13.0	12.8	....	98	13.1	
Atchison com..............	6	5.6	12.1	8.9	9.3	8.2	9.5	7.4	9.2	108	8.5	Good earnings prospects.
Mo., Kansas & Texas pfd..	0	0	7.2	8.0	13.6	0.1	17.8	4.1	13.4	16	8.4	Reorganization plan preparing—1915 earnings 11 mos.
Brooklyn Rapid Transit....	6	6.7	4.2	5.6	6.8	8.3	9.2	8.7	7.4	90	8.2	Earnings show increase.
Minneapolis & St. L. pfd..	0	0	—2.4	1.9	1.5	—11.9	7.7	—1.0	3.2	40	8.0	Soo Line denied deal to take over this road.
Union Pacific com.........	8	7.3	19.1	19.2	16.6	13.8	15.1	13.2	11.0	138	7.9	
Lehigh Valley com (par $50)	10	6.1	15.4	23.0	16.5	13.2	16.9	12.5	12.1	81	7.5	
Norfolk & Western com....	6	5.0	8.7	11.6	8.9	9.9	10.6	8.9	8.8	119	7.4	Controlled by Penna.
Atlantic Coast Line com...	5	4.4	9.4	12.0	12.8	12.1	12.0	10.7	*8.3	115	7.2	Dividend reduced from 7%.
Delaware & Hudson......	9	5.9	12.2	12.5	12.3	13.0	14.5	10.8	....	153	7.0	$14,451,000 5% 20 yr. ref. convertibles authorized.
Southern Pacific	6	5.9	10.2	13.0	9.6	7.9	9.8	7.5	7.2	102	7.0	Gov. oil land victory in Calif. doesn't affect.
Reading com (par $50)....	8	4.8	13.2	16.1	13.8	12.5	22.7	13.4	11.7	84	6.9	Including betterments. Suit filed against control of Jersey Central.
Chesapeake & Ohio com....	0	0	6.4	10.0	5.1	6.8	5.2	4.7	4.2	61	6.9	$15,000,000 earnings to go into property by 1917.
Great Northern pfd........	7	5.5	8.3	8.5	8.3	10.3	11.6	9.2	8.3	127	6.5	Large equity in C., B. & Q. and Canadian extensions.
Minn., St. P. & S. S. M. com	7	5.6	8.8	15.7	5.3	11.1	14.7	7.8	8.3	126	6.5	Pfd. and com. share above 7%. Contr. by Can. Pac.
Northern Pacific	7	6.0	10.7	9.0	8.2	7.9	8.7	7.9	7.6	116	6.5	Large equities in lands and C., B. & Q.
Del., Lack. & West.(par $50)	20	4.4	52.8	35.4	31.8	33.2	32.0	28.3	....	226	6.2	
Canadian Pacific	10	5.4	8.6	16.0	17.3	19.6	19.6	14.5	11.3	185	6.1	Helped by big crops and war oders.
Chicago & Northwest. com.	7	5.2	11.4	7.7	8.0	7.1	9.6	7.9	7.7	135	5.7	
Illinois Central	5	4.6	7.4	7.1	10.3	3.2	6.0	7.4	6.2	109	5.7	Div. reduced from 7%.
Baltimore & Ohio com.....	5	5.3	7.1	8.9	6.9	7.6	7.2	4.5	5.4	95	5.7	Large gains in gross and net.
Pennsyl. R. R. (par $50)..	6	9.7	11.0	9.3	8.6	9.3	8.9	6.8	....	62	5.5	Enjoying large freight tonnage.
Louisville & Nashville.....	5	3.9	14.3	17.3	14.2	15.9	12.7	9.3	6.8	130	5.2	Contr. by Atlantic Coast. Div. reduced from 7%.
Chicago Great Western pfd	0	0	....	1.2	1.9	0.4	2.8	2.0	1.9	40	4.8	
Buff., Roch. & Pitts. com..	4	4.4	6.3	7.3	8.0	8.4	10.2	6.0	4.0	91	4.4	Div. recently reduced from 6%.
Southern pfd.	0	0	6.0	9.6	11.1	11.3	11.8	8.1	2.7	64	4.4	Last div. passed. Earnings now better.
N. Y. Central............	5	4.9	7.7	6.0	5.7	2.2	5.9	4.0	....	103	3.9	Prospects for big year.
Erie 1st pfd.............	0	0	6.1	12.1	11.2	7.0	15.3	1.4	*2.2	58	3.8	Entitled to 4%. Gross earnings big.
Chic., Mil. & St. Paul com.	4	4.2	7.2	8.0	7.1	1.6	8.6	6.3	3.3	95	3.5	
Kansas City Southern com.	0	0	3.4	2.2	2.7	0.2	2.7	2.9	*1.0	32	3.1	
N. Y., Ontario & Western	0	0	2.3	2.3	2.0	0.8	2.1	1.1	1.0	33	3.0	
N. Y., N. H. & Hartford..	0	0	7.4	10.3	7.1	8.5	5.0	0	1.5	80	1.9	Current earnings good.
Pitts., C., C., & St. L. com.	0	0	9.8	6.1	7.0	10.9	—2.0	0.9	*...	84	1.1	Pfd. and com. share above 5%. Contr. by Penna.
Seaboard Air Line pfd....	0	0	....	....	7.6	3.7	7.3	6.9	0	43	0	New financial plan.
St. Louis S. W. pfd......	0	0	2.9	4.1	6.1	8.2	9.4	1.7	—1.4	38	0	
Missouri Pacific	0	0	1.3	3.3	—6.3	—2.4	1.9	0.1	—1.5	7	0	In throes of reorganization.

*Estimated.

Industrials

	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909.	1910.	1911.	1912.	1913.	1914.	1915.	Present price.	Earnings last fisc. year on present price.	
General Motors com.	0	0	....	....	15.7	17.3	38.8	37.5	81.2	368	22.1	50% cash com. div. Com. to go on regular div. basis.
Va.-Carolina Chemical com.	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	49	15.5	Prospects for good fertilizer business in 1916.
Amer. Agricul. Chem. com.	4	5.6	7.5	10.4	9.1	7.3	5.2	7.7	11.0	72	15.2	
U. S. Rubber com.	0	0	4.0	7.8	2.2	6.3	9.8	8.0	....	57	14.0	Expects to earn 8% on com. this year. Saving cash.
Am. Beet Sugar com.	0	0	7.0	7.3	10.9	13.5	3.9	2.3	8.7	66	13.2	Expects larger earnings.
Inter. Harvester (N. J.) com	5	4.5	17.8	14.8	14.2	15.2	14.5	13.4	....	111	12.1	Looks for big business after this year.
Union Bag & Paper pfd.	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	28	11.8	Business bad.
U. S. Realty & Imp.	?	?	9.2	9.7	9.4	8.3	9.2	8.2	5.0	44	11.4	Business picking up.
Central Leather com.	4	6.9	6.3	—2.1	—5.1	8.6	5.2	6.4	....	58	11.0	War orders big.
Inter. Paper pfd.	2	4.3	2.7	4.5	5.3	5.4	4.4	5.1	....	47	10.9	6% cum. divs. in arrears.
Distillers Securities	0	0	2.2	2.3	3.1	1.5	1.2	2.3	4.6	45	10.2	Earning between 7 and 8%.
American Can pfd.	7	6.6	6.7	6.8	7.1	14.2	9.7	10.7	....	106	10.1	Arrears 8¾%. Gov't suit pending. 1915 expected best ever.
F. W. Woolworth com.	7	6.1	....	....	....	8.9	11.0	10.7	....	114	9.4	Expects to show record year.
Sears, Roebuck com.	7	4.5	18.4	20.5	17.0	19.3	21.2	14.5	....	157	9.2	Stock div. 50% com. Mar., 1915.
Anaconda (par $50)	8	4.7	7.1	7.0	7.5	14.3	10.6	7.8	....	86	9.1	Par recently changed from $25 to $50. Larger dividend outlook.
North American	5	6.9	6.0	6.2	6.2	7.2	6.7	6.4	....	73	8.8	Controls St. Ry. & Elec. Light Cos. in No'west.
S. S. Kresge com.	6	2.5	....	....	....	8.7	14.7	20.4	....	240	8.5	Expected to show 25% on com. this year.
Corn Products pfd.	5	5.6	8.2	6.9	7.0	6.8	7.6	7.7	....	90	8.5	Divs. in arrears 17½%.
National Biscuit com.	7	5.5	7.4	7.7	9.8	10.0	9.6	11.7	9.5	126	7.5	Business only fair.
Pacific Mail	0	0	—1.7	—1.1	—1.0	—0.1	0.1	1.5	2.4	32	7.5	Expected to dissolve before Dec. 31.
American Tel. & Tel.	8	6.3	9.0	10.4	10.0	9.3	9.6	9.4	....	128	7.3	Large equities in sub. Co. earnings. Will cut construction program.
Utah Copper (par $10)	40	5.4	29.5	34.6	39.7	53.5	50.7	53.8	....	74	7.3	Making good profits. Extra dividend expected.
People's Gas, Light & Coke	8	6.7	8.9	9.0	8.9	7.5	8.2	8.6	....	119	7.2	
Bethlehem Steel com.	0	0	—1.6	6.5	6.7	6.9	27.4	30.6	....	435	7.0	Higher steel prices expected.
Am. Smelting & Refin. com.	4	4.3	7.7	7.1	9.1	10.1	7.5	6.0	....	94	6.4	Doing a big business.
Chino Copper (par $5)	60	3.7	....	....	....	50.6	70.3	68.8	....	54	6.4	Now earng. $8 or $9 per share. Larger divs. expected.
General Electric	8	4.0	7.4	16.7	14.5	16.2	12.9	11.1	....	177	6.3	Working high capacity. Big war orders.
Ray Cons. Copper (par $10)	15	5.7	....	....	2.1	13.3	18.5	16.5	....	26	6.3	Increase in dividend rate expected.
Western Union	5	5.8	5.8	5.7	5.4	4.0	3.2	5.4	....	87	6.2	Earnings this year will be about 8% on stock.
National Lead com.	3	4.5	6.2	4.3	3.6	3.8	3.6	3.7	....	67	5.5	No dividend increase in sight.
Pullman	8	4.2	10.9	11.6	9.3	8.7	9.3	9.0	8.8	167	5.3	Getting war business.
Tennessee Copper (par $25)	12	4.8	6.8	8.9	8.1	21.9	19.3	13.0	....	62	5.2	Large earnings on acid contracts. War order stock.
Consolidated Gas (N. Y.)	7	4.8	6.7	7.4	7.6	7.5	7.2	7.1	....	144	4.9	Sub cos. have large undistributed surpluses.
Pittsburgh Coal pfd.	5	4.8	3.0	7.2	5.1	7.5	10.1	5.1	....	105	4.8	In best financial shape in its history.
American Linseed pfd.	0	0	5.8	4.5	2.6	—2.8	3.0	1.8	....	45	4.0	Earnings reported very satisfactory.
General Chemical com.	6	1.8	14.4	15.6	15.5	14.4	13.4	13.3	....	335	3.9	Earnings best in history. Helped by war.
Republic Iron & Steel pfd.	7	6.7	8.1	11.7	7.8	8.9	12.4	4.1	....	105	3.9	Earnings now best in history.
Amer. Sugar Refining com.	7	6.0	3.9	3.8	9.6	8.7	1.9	4.3	....	116	3.7	Helped by war.
West. Elec. com (par $50)	6	8.6	....	7.6	12.3	6.2	8.2	10.8	4.7	70	3.4	Large war orders received. Rearranging its finances.
American Cotton Oil com.	4	6.6	10.4	6.8	—1.2	6.5	3.4	2.0	....	61	3.3	Controls 17 sub. companies.
Am. Hide & Leather pfd.	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	54	1.4	War order big item. Earnings best in history.
U. S. Cast Iron Pipe pfd.	0	0	1.2	4.4	3.9	4.2	4.7	—0.5	0.6	54	1.1	Business picking up.
Sloss-Sheffield com.	0	0	6.6	2.0	—0.6	0.8	2.1	0.2	....	59	0.3	Last div. on pfd. in scrip. Cash being saved.
Am. Malt Corporation pfd.	2	6.1	6.2	3.0	8.8	9.3	4.6	3.7	0.1	33	0.3	Stockholders ousted old board.
Am. Car & Foundry com.	2	2.4	2.6	6.6	7.1	2.5	4.1	5.5	0.1	85	0.1	Getting war orders.
Pressed Steel Car com.	0	0	7.7	5.5	0.1	0.8	10.5	0.1	....	69	0.1	Getting big war orders.
United States Steel com.	0	0	10.5	12.3	5.9	5.7	11.1	—0.3	....	86	0	Steel business booming.
American Locomotive com.	0	0	—3.1	1.3	7.3	0.5	17.7	1.3	—13.0	66	0	Expects good year.
American Steel Foundries.	0	0	0.1	6.1	—1.5	4.6	6.1	—1.4	....	61	0	1914 very poor year. Deficit $575,162.
Colorado Fuel & Iron com	0	0	2.1	4.0	3.2	4.8	4.6	—3.1	—1.4	55	0	Improved steel condition. Pfd. 52% in arrears.
American Woolen com.	0	0	5.2	2.2	2.1	2.1	—19.9	0	....	50	0	Earned whole 7% div. on pfd. in 1st 6 mos. 1915.
Railway Steel-Spring com.	0	0	5.3	6.0	0.3	5.8	1.3	5.8	—4.2	48	0	War order stock.
Nat. Enam. & Stamp. com.	0	0	1.1	1.0	1.1	—1.6	1.9	—0.3	....	32	0	War order stock.

MINING AND OIL

Miami Copper

A Company Which Has Gone a Long Way in a Short Time —Important Recent Developments—Stability of Miami's Dividends—What the Future Has in Store

By MALCOLM B. ARMSTRONG

MIAMI COPPER belongs to that group of mining properties which have come along fast and far in a comparatively short time. It was incorporated in 1907 in the State of Delaware, the same year in which Ray Consolidated and Utah Copper came into their present corporate existence. In some respects Miami resembles Ray. Although often classed as a "porphyry" property, Miami is an underground proposition like Ray Consolidated. Instead of scooping out its ore with steam shovels, like Utah or Nevada Consolidated, Miami mines by the "breakdown" system. For the benefit of the uninitiated this may be explained as a system of chambers leading from the tunnels and drifts, in which the ore is broken down in huge masses, to be sent to the concentrator.

Miami's Development

When organized this company had obtained 300 acres of land from the General Development Co., of which 200 acres were mineral lands situated about 6 miles west of Globe, Arizona. Later additional acreage was acquired, until now the company owns something like 1,122 acres of which 222 are in mineral. The mining equipment consists of a mill with a 4,200 ton daily capacity, and a power plant with 6,600 volt capacity. Four shafts have been sunk on the property and development work up to the end of last year totaled 226,814 feet.

Ore reserves at the time of the last annual statement were given as 19,500,000 tons, averaging 2.40 per cent. copper. On this class of ore alone at the present rate of output Miami has a life of upwards of 16 years. In addition there are some 17,000,000 tons of lower grade ore averaging 1.21 per cent. copper which are commercially available and about 6,000,000 tons of partially developed mixed sulphide and oxide ore averaging 2 per cent. copper. So that on the most conservative of estimation and not allowing for further increase in the ore bodies through development, the mine has a prospective life of at least 30 years.

Earnings' Record

The table with this article shows how steady has been the growth of production under the direction of J. Parke Channing, the company's engineer, who next to Adolph Lewisohn, the president of the company, has been chiefly instrumental in bringing Miami up to its present satisfactory development. But the table does not begin to tell the whole story of Miami. It does not indicate that Miami is now producing at the rate of about 4,000,000 pounds a month and that next year, in all probability, production will pass a 50,000,000-pound production mark for twelve months. Mr. Lewisohn and Mr. Channing predict an 8-cent-per-pound cost, in fact, the November cost was slightly below 8 cents. In this connection it is of interest to hark back about a year and a half ago when the management said that Miami, then producing about 33,000,000 pounds a year, would shortly increase its production 33 1-3 per cent. That prediction has already been veri-

fied with something like 5,000,000 pounds per annum to spare.

It might seem strange at first glance that Miami, earning for the first half of this year at the rate of about $1.75 per annum, should deem it advisable to go on a $4 dividend basis. But that is because, as explained above, the most recently published figures do not give a true line on the company's present production, costs and profits. Miami is now producing at the rate of 50,000,000 pounds per annum at a cost of approximately 8 cents a pound. On that basis earnings per share figured on varying prices of copper would be as follows:

Yearly Production.		Cost per lb.	Selling price copper.	Earnings per share.
50,000,000	lbs..	8.2c.	20c.	$7.77
do	lbs..	8.2c.	19c.	7.10
do	lbs..	8.2c.	18c.	6.43
do	lbs..	8.2c.	17c.	5.76
do	lbs..	8.2c.	16c.	5.09
do	lbs..	8.2c.	15c.	4.42

From the above it appears that the price of copper must take a considerable tumble from the present level of about 18 cents a pound to place Miami in a position where it would not be earning its $4 dividend. At the present time Miami is earning better than $6 a share and is building up its surplus at the rate of between $1,500,000 and $2,000,000 per annum.

Miami's Future

Miami's management believes in the policy of distributing to the stockholders earnings as earned, after making the proper charges and allowing for the upbuilding of the surplus account. Instead of accumulating for spectacular "extras" it pays as it goes. So that if the price of copper continues to mount, as many good judges of the metal situation believe it will, Miami stockholders may look for even better things in the line of dividends. That, however, is a speculative viewpoint, rather than an investment one. The investor, looking years ahead, should regard Miami as an assured dividend payer of at least $3 per annum through bad times as well as good and should purchase its stock on that basis. This may seem an unduly conservative statement in view of Miami's present fine showing, but long experience has demonstrated that a conservative attitude is the best in the long run.

Miami's financial position is above criticism. The company owes nothing, disregarding the current comparatively small debts of a going concern, has no bonds outstanding, possesses $2,500,000 surplus quick assets, and is commencing to accumulate cash. It is producing more than 4,000,000 pounds a month, earning between $350,000 and $400,000 monthly on the present price of copper, or at a rate of better than $6 per annum, and is building up its surplus at the rate of $1,500,000 to $2,000,000 a year. The management has in view further increases in production although plans along this line have not been completed as yet.

MIAMI COPPER CO.

Condensed Analysis of Four Years' Operations

	1915 First Half Year	1914	1913	1912	1911
Tons of ore treated	589,513	1,096,633	1,058,784	1,040,744	445,036
Copper production (lbs.)	17,530,865	33,296,000	32,867,666	32,832,609	16,195,561
Cost per lb.*	8.68c.	9.20c.	10.60c.	9.58c.	9.10c.
Price received per lb	14.91c.	13.34c.	15.24c.	16.58c.	13.03c.
Sales of copper	$2,841,188	$4,389,026	$5,049,807	$5,385,501	$1,950,669
Net profits	$1,340,492	$1,362,630	$1,534,685	$2,271,386	$587,850
Balance after charges	$1,296,275	$1,173,788	$1,257,898	$2,094,804	$489,603
Dividends	$373,556	$1,120,375	$1,491,989	$1,100,112	....
Year's surplus	$922,688	$53,413	† $234,091	$994,692	$489,603
Earned per share	$1.74	$1.57	$1.68	$2.81	$0.74

* After credit of silver. † Deficit.

Mining Digest

Alaska Gold.—MINING AND milling close to 6,000 tons a month at cost of 60c. a ton. New power plant will be ready January 1 and will double output.

Alaska Juneau.—LISTED ON Stock Exchange and initial transactions were at $13 a share.

Allouez.—DIRECTORS DECIDED to defer dividend action until after November meeting. Producing at rate of more than 11,000,000 lbs. of copper per annum at cost of about 8½c. a lb. and earning at rate of at least $10 per share.

Aluminum Co. of America.—60c. ALUMINUM has greatly increased earnings. Bids as high as $320 a share have been made for stock.

American Smelting & Refining.—VILLA GOVERNMENT in Mexico has confiscated company's Chihuahua plant. Price of lead advanced from 4.50c. to 4.75c. a lb.

American Zinc, Lead & Smelting.—EXPECTS LARGE orders from "ammunition brass" manufacturers.

Anaconda.—EXPECTED THAT next quarterly dividend will be at rate of either $6 or $8 annually. Earning at rate of more than $25,000,000 annually, or better than $10 a share.

Braden.—HAS ATTAINED production cost of between 7c. and 8c. a lb. Additional financing being considered.

British Columbia.—NET PROFITS in September totaled $10,000. Company pushing development work on newly acquired Copper Mountain property.

Butte & Superior.—EARNED $11 per share in September quarter and earnings are at rate of between $30 and $40 per annum. Large extra dividend expected at next meeting.

Cerro de Pasco.—NOW PRODUCING at rate of 60,000,000 lbs. per annum at cost slightly above 6c. Earnings this year estimated in excess of $5,000,000, which would mean $7.50 a share on 18c. copper.

Champion.—DECLARED $2 dividend, making total of $27 since February 21.

Chile Copper.—NOW TREATING between 4,000 and 5,000 tons of 1.89% ore daily and within few months will be handling 10,000 tons a day. Leaching process is a demonstrated success. About January 1, on present price of copper, company will be earning at rate of $14,000,000 per annum, equivalent to $3.50 a share, counting all bonds converted.

Chino Copper.—PRODUCED 5,254,286 in September, and earning at the rate of $11 per share per annum.

Comstock Tunnel.—SHARES DROPPED from New York Stock Exchange list, because of high commission rate in relation to price of stock.

Consolidated Coal.—DECLARED REGULAR quarterly dividend of 1½%.

Copper Range.—COMPANY'S THREE mines now producing at rate of nearly 5,000,000 lbs. monthly, or 50% greater than ever before. Directors expected to meet shortly and declare dividend, probably of $3 per share. New stock listed on Boston Stock Exchange "when and as issued," par $25.

Davis - Daly.—OCTOBER'S PROFIT estimated at from $5,000 to $10,000.

East Butte.—PRODUCING AT rate of approximately 2,000,000 lbs. of copper monthly and earnings at present rate should enable the company to retire all remaining indebtedness before end of year.

Elkhorn Mining.—PLANS ARE maturing to take care of $2,500,000 notes maturing December 1 and held by its subsidiary, the Elkhorn Fuel Company.

Franklin.—EXPECTS TO bring output to 1,200 tons daily and production to 6,000,000 lbs. annually within a few months.

Granby.—REPORT FOR September quarter shows production of 12,057,385 lbs. of copper, 177,610 ounces of silver and 14,849 ounces of gold; average copper cost at Anyox plant was 7.93c. a lb. and at Grand Forks 10.91c. a lb.

Great Northern Ore.—DECLARED a dividend of 50c. a share on certificates.

Greene-Cananea.—MEXICAN REVOLUTIONISTS control company's plant, which had been shut down. It was planned to declare another dividend on stock before end of the year.

Guggenheim Exploration.—APPRECIATION IN market value of holdings of Ray, Chino and A. S. & R. common stock exceed $5,000,000. Long expected "melon" looked for by end of year.

Inspiration.—CONTROLLING INTERESTS will refuse to confirm reports that Anaconda will absorb this company. Bond conversion has added 144,000 shares of stock to floating supply.

Iron Cap Copper.—SEPTEMBER EARNINGS were over $17,000 compared with $10,600 in August. September's copper cost 7c. a lb.

Kennecott Copper.—GOLD IN paying quantities has been encountered in lower levels of mine. September quarter's production totaled 31,000,000 lbs.

Mohawk.—PRODUCED 1,489,088 lbs. of copper in September at lower cost and larger profits than ever before in company's history.

National Lead. — DECLARED REGULAR quarterly preferred dividend of 1¾%.

Nevada Consolidated.—EARNINGS ESTIMATED at rate of $3 per share per annum. September production 6,021,850 lbs. of copper.

Nevada-Douglas. — HAS COMMENCED manufacture of nitric acid at plant.

New Jersey Zinc.—DECLARED REGULAR quarterly dividend of 2½%.

New Keystone Copper.—STOCKHOLDERS WILL receive 90c. a share in dissolution according to present indications.

Nipissing.—WITH PAYMENT of last dividend of $300,000, company has disbursed to stockholders since July 20, 1906, total of $13,440,000, or more than twice par value of capital stock.

Osceola Mining.—DIRECTORS DECLARED quarterly dividend of $3 a share, making $8 so far this year.

Old Dominion "Trust."—PAYING SECOND dividend of $2 per receipt, $10 per receipt having been paid October 1.

Ray-Hercules Copper. — INCORPORATED WITH an issue of 1,500,000 shares, par $5. Owns about 90% of issued capital stock of Arizona Hercules Copper Co. Exploratory work has developed 3,400,000 tons of ore averaging 2.36% copper.

Ray Consolidated.—SEPTEMBER PRODUCTION totaled 5,131,466 lbs. This year should show production between 70,000,000 and 75,000,000 lbs.

Shattuck Arizona.—REPORTED TO be earning $6,000 a day, net.

Tamarack.—SLOW PROGRESS being made in negotiation with Calumet & Hecla looking to consolidation.

Tennessee Copper.—STOCKHOLDERS IN special session approved $3,000,000 6% 1st mortgage 10-year bond issue. Company embarking heavily in manufacture of chemicals.

United Verde Extension. — SHIPPED ABOUT 35 tons of ore per day for last six months. 1915 net earnings estimated at over $500,000.

Utah Copper.—D. C. JACKLING says company is now at production point aimed at for ten years. Present production at rate of 180,000,000 lbs. annually and year will be a banner one for earnings and production.

Utah Metal & Tunnel.—EXPECTED TO combine with Bingham-NewHaven interests in settlement of litigation over ore bodies.

Virginia Iron, Coal & Coke.—YEAR ENDED June 30 showed deficit in $244,722 compared with deficit of $117,606 for previous year.

Wolverine. — NOTWITHSTANDING DECLINING copper values, is producing metal at about 8½c. a lb. President Stanton estimates company has still twenty years of life.

Union Tank Line—Correction

The Union Tank Line Company is commonly thought of as a corporation which has made unusually large deductions for depreciation in its annual reports, but it develops that this common belief is not correct. In a recent article in the MAGAZINE OF WALL STREET an analysis of the company's position was made on a basis of depreciation of above $3,000,000 a year. This was due to statements in the annual report of the company placing "depreciation" in the report as of December 31, 1914, at $3,865,220, as of December 31, 1913, at $3,485,735 and at the end of 1912 at $3,040,630.

That such figures are taken to mean the write-off for the year would be indicated by a statement in Moody's Manual for 1915—an undoubted authority on the construction of corporation's statements. In a note explaining the balance sheet of the Union Tank Line Company, the Manual says: "After deducting $3,485,735 for depreciation in 1913 and $3,865,220 in 1914." As an actual fact, depreciation deduction in 1913 was $481,105 and in 1914 it was $379,485. The items listed by the corporation under "depreciation" from tank car equipment are cumulative from year to year, and are not for each year. It is the usual practice for corporations, in stating depreciation, to put in their reports only that for the particular year, write it off and deduct it once for all, and not carry it in accumulative form from year to year. It was owing to the inference that the Union Tank Line Company made out their reports on such a basis that mistakes in analyzing its reports have been made.

CHARLES H. PLATT.

Oil Notes

Buckeye Pipe Line.—DECLARED DIVIDEND of $2 per share, the same amount as paid for last four quarters. In September, 1914, $3 was paid, and $4 in June, 1914. Prior to that time $5 quarterly was paid.

Houston Oil.—NEW COMPANY may be formed, it is understood, to take over oil developments in Houston Oil Co. Old company will handle timber land. Earnings from timber business sufficient to cover interest requirements and preferred dividend. Land sales for August and September totaled 233 acres at an average price of $29 per acre.

Mexican Petroleum. — RECOGNITION of Carranza Government expected to have a good effect upon company's affairs. Production running at rate of over 30,000 barrels daily. During last year company has spent $2,000,000 on property. Continuation of improvement would mean restoration of preferred dividend.

Midwest Refined.—RUMORED that control is to be taken over by Standard Oil Co. of Indiana. Stated that Midwest's earnings are running much in excess of dividend requirements.

Prairie Pipe Line.—REPORTED that an initial dividend will be declared before long and that it will be a fat one. Company reported to be in excellent position to consider such action.

Shell Co. of California.—AUTHORIZED by Commissioner of Corporations to sell $5,000,000 preferred stock to net company not less than $90. This stock, it is said, will be sold in Holland and the proceeds used in development work in California by Shell interests.

Solar Refining.—GASOLINE PRODUCTION this year will total about 500,000 barrels. Company's refineries at Lima, Ohio, have maximum capacity of 10,000 barrels a day for all products.

Southern Pipe Line.—DECLARED DIVIDEND of $6 a share, the same amount as for the last four quarters. Prior to that time $8 was paid.

Standard Oil of California.—DECLARED REGULAR quarterly dividend of $2.50 a share.

Standard Oil of Indiana.—DECLARED REGULAR quarterly dividend of $3, and no extra dividend. Gasoline production this year will total 5,000,000 barrels. Plants operating day and night.

Standard Oil of New York.—AUTHORITATIVELY DENIED that there is any hitch in negotiations with Chinese Government for exploitation of Chinese oil fields. Company is still testing fields under original agreement with the Government. The arrangement binding the Chinese Government not to grant exploitation rights to any other foreigners for one year expired February 10 last, but has been extended and will remain in force until the properties have been thoroughly examined.

Union Pipe Line.—IMPROVEMENT in earnings from larger shipment is overcoming in part the loss caused by reduction of rates in July, 1913, per order of Interstate Commerce Commission. Company receives ¾c. a mile and is asking the Commission to increase rate to 1c. a mile.

Mining Inquiries

Anaconda—Inspiration

W. E. K., Lyons, N. Y.—Inspiration is reported to be closing a deal to combine with Anaconda. It is a large mine, and when producing at full ought to make at least $6 a share on an average copper market. As it approaches full production, the stock should sell higher.

Utah Copper

C. C.—We are informed on the best of authority that Utah will pay an extra dividend in December. The directors meet toward the end of the present month to declare the dividend. Just how much this will be and whether the distribution will take the form of an extra or an increase of rate has not yet been determined. Utah is earning at the present time approximately $13 a share and is paying $4, so that it would seem stockholders might expect at least something like $3 or $4 extra this year. Of course that is only our deduction. We may have more definite information later.

Great Northern Ore

G. R. G., Angel Island, Cal.—Great Northern Ore Certificates have always sold on a speculative rather than an income basis. The properties, which this company controls, are undoubtedly of very great value, as they own 65,091 acres of rich ore lands in the Missabe district of Minnesota. Estimated ore contained in all these properties totals 308,111,295 tons. Allowing a royalty value of 75 cents a ton would give a book value to the stock of many times its par value.

As the steel industry develops in this country, the value of these certificates is bound to rise. But heretofore their price seems to have well discounted the future, at times to a very considerable degree.

TRADERS' DEPARTMENT

HOW TO READ THE FINANCIAL PAGE

By SCRIBNER BROWNE

Part VII

Balance of Trade—Failures—Idle Cars

CLOSELY connected with the gold movements, which were discussed in the last issue, is the balance of trade—that is, the excess of our merchandise exports over imports, or of imports over exports. Merchandise, in this connection, means all kinds of goods except gold and silver.

Many object to the terms "balance of trade," "export balance," etc. It is impossible to strike any accurate balance on our foreign trade, in the sense that a bookkeeper balances his books. We send a great deal of money abroad every year in the form of interest payments on American securities held abroad. Our tourists, up to the beginning of the war, spent millions abroad. We also pay heavily to foreign ship owners for transportation of freight and passengers, and foreigners in this country send a great deal of money home. To cover all these payments and others similar, we must, of course, export more merchandise than we import or else send over gold. Hence if we simply compare our merchandise exports with our merchandise imports, we do not get, in any accurate sense, the "balance of trade." However, the term answers well enough to convey a certain idea. All our financial phraseology is rather loose.

Our Export Balance

For many years our merchandise exports have exceeded our imports. The smallest excess of exports during the last ten years was in 1909, $252,000,000; the largest, previous to 1915, was $691,000,000 in 1913. We may say, roughly speaking, that at present (under normal —not war—conditions) our exports should normally exceed imports by about $40,000,000 a month. Our export balance has been swelled far beyond that sum in 1915 by the demand for war supplies abroad.

Exports vary widely with the season of the year. They are naturally very much larger in the fall and winter, when our crop surplus is moving abroad. For that reason an occasional month, or several months in succession, often show an import balance. In 1914 five months beginning with April showed small import balances—the largest number of import months in any year of the last ten.

The balance of trade is directly related to gold exports and imports. If we do not export goods enough to pay for all we import, then we have to pay the balance in gold, causing gold exports; if we export more goods than required to pay for our imports, then foreigners have to send us gold to pay for the excess.

Thus in 1909, when our export balance was only $252,000,000, we exported $88,000,000 of gold; while in the first nine months of 1915, when our export balance was $1,227,000,000, we imported $252,00,000 of gold.

It must be borne in mind that exports or imports of stocks and bonds, either

ours or those of foreign countries, have the same effect as gold in offsetting a merchandise balance. Hence the gold movement depends on this factor as well as on exports and imports of merchandise—and no exact figures as to the securities that cross the ocean are ever available.

The figures showing our foreign trade month by month are given out regularly by the Government and published throughout the country. Their connection with security markets is somewhat indirect, as is true of all business statistics, nevertheless it is true, in a general way, that a big export balance is bullish on stocks and a relatively small export balance is bearish.

The inexperienced sometimes imagine that we must eventually get gold from abroad to equal our export balance. This error must be guarded against. But a general idea of the condition of our foreign trade should be a part of the mental equipment of every reader of the financial page.

Failures

In times of panic and immediately after, a great many business men are forced to the wall, while in good times failures are relatively few. This perfectly obvious fact enables the investor to get some idea of the state of business by noting the number of failures and the total of the liabilities from month to month.

The figures are made up by several different authorities and differ somewhat according to the method of getting the information. It is therefore better, in making comparisons, to follow the same authority all the time.

Only once in the history of this country have the total liabilities of failures reached the $100,000,000 mark in any one month—October, 1907—while the smallest liabilities for any month during the last ten years was $6,083,000 for September, 1906. From August, 1909, when liabilities were only $9,011,000, there was a fairly steady though irregular increase until $50,108,000 was reached in January, 1915. From this point there was a rapid decrease to $15,017,000 in August, 1915. This was probably near the minimum possible with the present volume of business transacted and indicated a high degree of stability.

The seasonal change in failures is important. January and February are usually the biggest months, following end-of-the-year stock taking. Failures are usually small in the summer unless influenced by some special event.

If you construct a graphic showing failures month by month and the average prices of stocks month by month, you will find that the fluctuations of your stock market line precede those of your failure line. Hence failures cannot be said to predict the movements of the stock market.

Nevertheless, some useful hints can be obtained from the liabilities of failures. For example, when failures become abnormally large and then fall sharply to low figures, this shows that business liquidation has been completed, for the time at any rate. That condition is always followed by an upward movement in stocks, sooner or later.

Again, a gradual rise in failures year after year shows an unhealthy condition of business which makes a bull movement in securities very difficult.

The principal value to the investor of the figures on failures lies in the light they shed as to the healthy or unhealthy condition of general business, which is somewhat different from the activity or total volume of business. There are many indications which show us the activity of trade, but the failures are the best index of business health or ability to stand strain.

Idle Cars

Since 1908 the American Railway Association has given out figures showing the number of idle freight cars in the United States. Up to November 1, 1914, these figures were published twice a month. They were then suspended until February 1, 1915, when they were resumed on a monthly basis.

There are almost always some idle cars, as it would be practically impossible for the roads to keep all their cars in use all the time. In the last quarter of 1912, however, there was a net shortage. The largest number of idle cars ever

reported was in April, 1908, 413,000. Another very large figure was shown on April 1, 1915, 327,000. After this idle cars dropped very sharply to 78,000 on October 1.

The greatest number of cars are idle in the spring and summer. The crop movement tends to keep the cars busy during the fall and early winter.

Idle cars are not as reliable a guide to railroad activity as the gross earnings, because so much depends on the number of new cars the roads are buying. If no new cars are bought the number available for use will keep declining, so that only a few may be idle even though business is light. Also during periods of extreme dullness the roads often delay repairs to cars that are only slightly injured, leaving them standing in yards and on sidings until needed.

The idle car reports, however, have the advantage of being considerably earlier than the returns on gross earnings for the roads of the entire country. Some roads, however, give out weekly gross earnings which are obtainable almost as promptly as the idle car reports.

The principal value of idle cars to the investor is in giving a preliminary hint as to the general tendency of railroad earnings. I see little use in keeping track of idle cars year after year, as the earnings are a better guide as soon as available.

(*To be continued.*)

Execution of Odd Lots

How Orders Are Filled—Difference Between the Odd Lot Dealer and Broker

MANY of the growing army of investors and traders who deal in odd lots of stocks—that is, in lots of less than 100 shares—were confused and irritated by the temporary change in the methods of the odd lot dealers by which the buyer of an odd lot paid one-eighth higher for his stock than under the customs previously adhered to, and since reestablished.

To understand this matter it is necessary to bear in mind that the New York Stock Exchange does not furnish an open, general market for odd lots such as is furnished for 100 share lots. When you place an order with your broker to buy 50 shares of any stock, he makes the purchase from some one of about a dozen firms which make a specialty of dealing in odd lots and which have certain fixed customs as to the prices at which they will sell in comparison with the market for 100 share lots at the time the order is filled.

These firms are known as odd lot *dealers,* and are to be distinguished from odd lot *brokers.* The odd lot dealers do not do a brokerage business. Their sole business consists in filling the orders of brokers for odd lots. In order to do this they continually buy and sell for their own account, balancing their sales of odd lots from time to time by buying 100-share lots and their purchases of odd lots by selling 100-share lots. Odd lot *brokers* are simply brokers who accept odd lot orders from their customers. Of course they also accept orders for 100-share lots or more.

The odd lot dealer buys and sells both odd lots and 100 share lots on the Exchange but does no business directly with the public. The odd lot broker takes the public's orders and executes them by buying from or selling to the odd lot dealers on the floor. The odd lot broker does not buy from or sell to his customers. He acts *for* them, as their agent.

The Stock Exchange does not lay down any rules as to the prices at which the odd lot dealers shall execute orders coming to them from the odd lot brokers, but the odd lot dealers agree among themselves in a general way as to the rules they will apply. In the past their rules have been about as follows:

(1) They have always stood ready to

buy odd lots at the bid price for 100-share lots or to sell odd lots at the asked price for 100-share lots. It is evident that this rule, if faithfully carried out, places the odd lot buyer or seller on exactly equal terms with the trader in 100-share lots, with one exception—his purchase or sale does not appear on the tape and therefore does not *seem* to be as close to the market as a purchase or sale of 100 shares, and may not have quite as much immediate influence on the price.

For example, suppose the market for a stock is 125 bid, offered at 125¼, last sale 125¼. An order to sell 100 shares will be executed at 125 and that price will appear on the tape. The seller gets the exact market because he makes the market himself. An order to sell 50 shares, however, would be executed at exactly the same price, 125, but it would not appear on the tape and hence would *seem* to be one-quarter below the market. The actual result to the seller would be the same but he would not feel the same about it because he would judge the execution from the tape price at the moment.

(2) In stocks where the bid and asked prices are some distance apart—say a point or more—he generally feels abused by an execution at the market as explained above. Hence the odd lot dealers have another way of filling orders which is generally used on the less active stocks, and that is to wait for the next quotation on a sale of 100 shares or more, and fill the odd lot buying order at ⅛ above that quotation or the odd lot selling order at ⅛ below that quotation.

This virtually places the customer who buys or sells an odd lot at a disadvantage of ⅛, on the average, as compared with the 100-share trader.

In the recent active markets the odd lot dealers have been getting more business than they were equipped to handle conveniently. Also, a great deal of this business has been in the "war stocks" where the odd lot dealer has more trouble about evening up his books by buying and selling 100 share lots to balance his sales and purchases of odd lots.

Therefore the odd lot dealers agreed, as a temporary measure, in order to check odd lot buying until they could catch up, to charge ⅛ more on the buying side, making no change on the selling side.

Naturally enough, nobody liked this change. Some of the brokerage houses who do the most business in odd lots made formal protest to the odd lot dealers, asking that the extra charge be dropped at the earliest possible moment, as soon as the abnormal activity in the stock market subsided.

It was feared by the New York Stock Exchange members that the change would cause small investors to switch their business to Consolidated Exchange brokers, since on that exchange the entire market is on the basis of 10 share lots, and that, in localities where Consolidated Exchange brokers are not readily available, many odd lot traders would turn to the bucketshops.

The odd lot dealers, who naturally have as much interest as anyone in the growth of the odd lot business, heeded these protests and very soon restored the former basis of execution, which has, in the main, proved satisfactory to both brokers and their customers.

Advice to the Trader

In the Bull Market:

- Buy when stocks are worth more than the price.
- Buy when stocks are worth the price.
- Sell when stocks are not worth the price.

In the Bear Market:

- Sell when stocks are not worth the price.
- Sell when stocks are worth the price.
- Buy when stocks are worth more than the price.

Technical and Miscellaneous Inquiries

Discretionary Orders

M. H.—We note that you leave your broker to sell stocks for you at his discretion. This is usually a very dangerous thing to do, unless your broker is a personal friend, and even then it is better to avoid uncertainties of this kind. Misunderstandings are very likely to result, even though the broker may exercise his best judgment for you in every case.

Brokers not members of the leading exchanges may be reliable, but as a rule it is difficult to be sure of that fact. Exchange membership gives the broker a definite standing, and the leading exchanges make every effort to insure honest handling of all orders by their members.

Who Gets the Dividend?

Previous to September 1 there were standing in my name several shares of stock in an industrial corporation which I sold September 1. During the first part of September a quarterly dividend was declared on this stock payable October 1 to stockholders of record September 20, and I received the dividend check. I have since been advised by brokers who secured my certificates that they neglected to have the stock transferred. They request me to return the funds. I don't want anything that don't belong to me, but doesn't the fact that the stock stood in my name entitle me to the dividends?—U. W.

If the dividend was declared on the stock you mention after stock was sold, then the dividend is not yours. It would not be fair to take advantage of an error on your brokers' part by which they neglected to transfer the stock. In fact we are of the opinion that they could recover from you if they were able to substantiate their claim that they had sold the stock for your account before the dividend was declared. You are entitled only to such returns on your stock as were made before you ceased to be its owner.

Execution of Stop Orders

What is there to prevent a broker from selling stock on the market on a stop order a point or two below the market and recording it as a market sale? I have been told that the execution of stop loss orders is not recorded on the tape. Is this correct?—R. C.

Your broker cannot sell stock for you below the market at the time, no matter whether the sale is on a stop order or not, because record is kept of the broker to whom the sale is made, and the time when it is made, so that a full investigation can be made at any subsequent time. The rules of the Exchange prevent any broker from selling stock below the price which is bid for the stock at the time he makes the sale.

In the case of an inactive stock there may be no bids in the market, except those of the specialist who deals in that stock. This gives the specialist an opportunity to reduce his bid when the stock is offered, and sometimes results in a poor execution of the order. There is no way for the Stock Exchange authorities to prevent this condition, as the low price obtained under such circumstances is really due to the fact that there are no bids in the market, and therefore the stock has to be sold at whatever price the specialist is willing to pay for it.

The remedy is for those who deal in inactive stocks to limit their buying or selling orders to a fixed price.

In regard to quoting the execution of stop orders on the tape, Geo. W. Ely, Secretary of the Stock Exchange, advises us as follows:

"It has been the custom in the Exchange for many years that when a stop order price is reached, the order becomes a market order, and such sales being in the open market appear upon the tape.

"Occasionally, a broker may ascertain in the crowd that another broker has an order to buy at the price of his stop order to sell. When said price is reached the sale goes into effect, and it not being in the open market, it is not printed on the tape."

Settling Your Estate

I have been interested in the article in your magazine on "Settling Your Estate," by R. R. Smitley.

Taking the case where a husband has left all his property, by will, to his wife, in general and without specifying particulars, and where the two have a joint bank account, I would like to know if, upon the death of the husband, the wife can continue drawing checks on the joint account until the balance is exhausted. This case occurs where the banking institution (trust company) is also executor of the will.

Also, does the wife, after the husband's death, come into immediate control and ownership of the household furniture and other personal property owned jointly by the two, where the ownership is not a matter of record and where the wife is in actual possession?

Also, where the two have an open joint account with a stock brokerage firm, could the wife, in the same contingency, close the account, or continue operating, without any legal proceedings—order sold stock that was made out in her husband's name and in the possession of the brokers, when duly endorsed, or have it transferred into her name?—F. U.

The courts have many times laid down the rule that when a husband purchases a security, or makes a deposit, or subscribes for stock in the joint names of his wife and himself, using his own money, upon his death the entire security or bank deposit belongs to his wife, if she survives him. This is called a gift *causa mortis* (in contemplation of death). It

does not take effect until the husband's death, and can be revoked by him at will during his life-time.

In acordance with this rule, the joint bank account and joint stock-brokerage account to which you refer pass to the wife at her husband's death. This does not mean, however, that she can at once assume control over them. This can be done only when the inheritance taxes (if any) have been paid, and we think it highly improbable that either the trust company or the stock brokers of whom you speak would permit her to close out the accounts until the tax proceeding has been disposed of.

Household furniture is assumed to be the property of the husband unless the wife can prove the contrary, and she would therefore come into possession of it only if it were left to her by her husband's will.

Regarding the article "Settling Your Estate" in a recent issue, would it not be morally and legally correct to provide against red tape and all the unsatisfactory entanglements that obtain therewith, to make the necessary will, naming the beneficiary and in addition execute a power of attorney that would be effective even after death, so as to eliminate the unnecessary delays and attorneys' fees?—W. C.

The objection to the plan which you suggest is, that a power of attorney is rendered absolutely void by the death of the person who signed it, and there is no method whatever by which its validity can be prolonged after that event occurs. We therefore recommend that you follow the scheme outlined by Mr. Smitley.

The Public, the Railroads and Their Inter-Dependence

Under the above title, Baruch Bros., 60 Broadway, New York, have gathered together a most important collection of facts bearing on the position and prospects of the railroad stocks, which will be of interest to all investors. They say, in part:

"We believe that railroad investments, as a whole, are soon to become almost as certain of fair to excellent returns as banks or the good industrials. A careful study of most bull markets will show that precedent to a rise in the railroad stocks, there is always an industrial boom, which is widely heralded by an advance in the shares of industrial corporations. This advance and this boom are apparently with us today to an extent perhaps unprecedented in our financial history. Perhaps the pendulum has swung too far, and recessions will be seen from the present high level for industrial shares, but it is a fact that many of the steel mills are operating, for the first time in their history, at one hundred per cent. of capacity, and that most of the important industries of the country are participating, if not quite to the same extent, in this activity. Every pound of raw material that goes into the mills, and every pound of product which is removed from the mills to the hands of the consumers, creates tonnage for the railroads, and this means, with adequate return for service rendered, prosperity for the railroads.

"In general, it can be stated that the business of this country has been at a standstill since 1910, except for a fair wave upward in 1913. The country is now doing almost a record business east of the Mississippi river, which will probably spread, and will soon be on a firm foundation, and this increase in business should last for several years.

"The railroads, as an absolute essential to general business life, will share in this prosperity, and with the appreciation of the public of their necessities and the further appreciation of the large capital investment necessary for the maintenance of the service demanded by the public, should place the railroad business of the country on as stable a foundation as the railroad business of England and continental countries, so that violent fluctuations in returns will be eliminated, and the railroads will eventually come into their own."

The complete circular will be sent on request to any reader.

Investment Items

With the purpose of bringing to the attention of partial payment security buyers such items as may be of interest to them. Messrs. Harris, Winthrop & Co., 15 Wall Street, have started the publication of *Investment Items*, a monthly. Copies will be sent free to any reader of the MAGAZINE OF WALL STREET interested.

COTTON AND GRAIN

Cotton Crop Estimates Larger

By C. T. REVERE

FOR THE NEXT two or three weeks the cotton trade will pay little attention to any other feature except the size of the crop. The approaching government estimate as well as the frequent ginning reports will aid in concentrating attention upon the question of supply rather than that of demand. While it is only fair to admit that even the bulls have revised their ideas as to the yield, it has been impossible on any data received thus far to base any accurate estimate as to this season's production.

If the belt had experienced a killing frost, the estimates would be likely to crystallize around some different figures. The season, however, has been extremely mild with the exception of scattered freezing temperatures early in October and the weather over the belt throughout the autumn has been characteristic of summer. It is a question, of course, as to how much of the crop will be saved from the ravages of the weevil, which has been more active than usual throughout Texas, Arkansas, Oklahoma and the Mississippi Valley. There is no doubt, however, that every day killing frost holds off adds thousands of bales to the ultimate out-turn.

At this writing the Census Report of the amount of cotton ginned to November 1 has not been published. The report ordinarily is not considered of vast importance but in one peculiar respect it furnishes a better index to the size of the crop than any other report of the season. This is in the amount of cotton ginned during the period from October 18 to November 1. On account of the fact that the ginning season is well under way and operations are normal, about the only feature governing the out-turn is the amount of picked cotton available. Consequently the percentage ginned during this period shows less variation than any other ginning period. The percentage for the five years from 1913 back to 1909 in consecutive order are as follows: 13.3%, 14.8%, 14.2%, 16.6% and 14.8%. This is an average of 14.7% for the period, but 16.6% probably is a more reasonable basis of calculation.

The amount of cotton ginned up to October 18 was approximately 5,700,000 bales. If 7,300,000 bales should be ginned to November 1, this would show about 1,600,000 bales ginned for the period. This would indicate a crop of only about 10,800,000 bales exclusive of linters on the basis of 14.7%. On the other hand, a ginning of 7,500,000 bales, or 1,600,000 for the period, would indicate a crop of about 12,200,000 exclusive of linters.

This season's proportion of linters out of the crop will be larger than usual owing to the high price of this by-product. It would not be unreasonable to look for approximately 700,000 bales.

So far as the demand is concerned, the trade is so obsessed with the restrictions placed upon consumption by war that it is likely to overlook the actual facts. In this respect bearish theory does not jibe with new developments.

It is not generally realized, for instance, that spinners' takings are beyond all precedence, not even excepting the record season of 1911. This feature has been very adequately figured by one of the closest students of cotton in the country, who analyzes the situation as follows:

"Ignoring the fact that except last year and this one the statistical departments of the various exchanges began counting crops as from September 1 to September 1, while now they figure them from August 1 to August 1, the actual net mill takings from the beginning of any season to the end of October are as follows:

This year	**2,785,122**
1914	**1,782,181**
1913	**2,386,442**
1912	**2,167,867**
1911	**2,463,780**
1910	**1,817,172**
1909	**1,999,771**

"During August of every year prior to 1914 there was included the errors made in weekly reports of mid season. Thus it becomes hard to give an exact figure on the mills takings during that one month, but it is fair to assume that the actual takings during any August should not exceed 500,000 bales. Applying that figure as an addition to all the above figures, except the last two years, the net answer is that only twice in history has the taking from August 1 to November 1 equalled those of this year. The statement becomes all the more amazing when it is stated that the mills' takings by European mills in that period this year actually exceeded all previous records for the same period. With freight, insurance and exchange at unheard values—with money hard to obtain—would naturally expect Europe to show diminished and not increased takings."

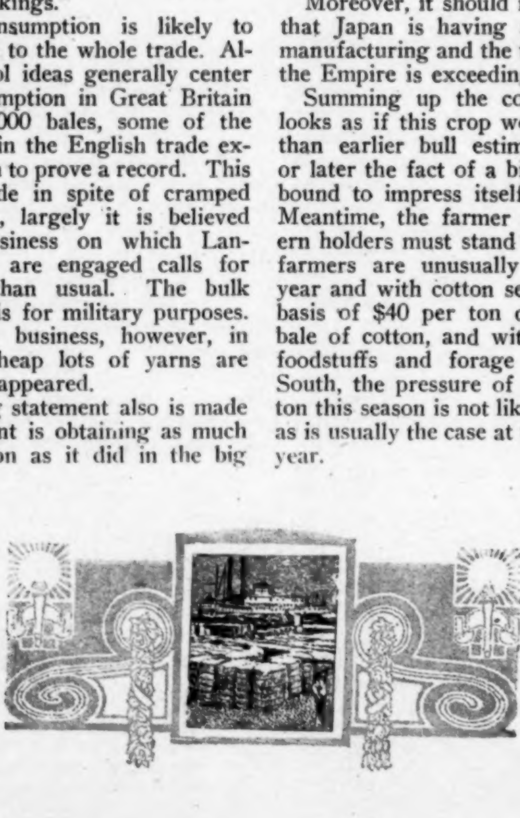
European consumption is likely to prove a surprise to the whole trade. Although Liverpool ideas generally center around a consumption in Great Britain of about 3,250,000 bales, some of the best authorities in the English trade expect consumption to prove a record. This assertion is made in spite of cramped labor conditions, largely it is believed because the business on which Lancashire spindles are engaged calls for coarser yarns than usual. The bulk of the business is for military purposes. There is a big business, however, in India and all cheap lots of yarns are said to have disappeared.

The surprising statement also is made that the Continent is obtaining as much cotton this season as it did in the big season of 1911-12 when European importations were more than 9,500,000 bales. This statement looks hard to substantiate, although there are explanations forthcoming on the ground that Germany has made frequent seizures of cotton cargoes bound for Copenhagen and Gothenburg and thus replenished her supplies.

One outstanding fact, however, cannot be controverted and that is the tremendous rate at which American consumption of cotton is proceeding. Even a casual tour of the offices of selling agents in the wholesale drygoods district will show business on a greater scale than ever before, unless one excepts the early part of 1907. The consumption of American mills may be conservatively calculated on the basis of 6,500,000 bales and may possibly exceed 7,000,000.

Moreover, it should not be overlooked that Japan is having a record year in manufacturing and the textile industry in the Empire is exceedingly prosperous.

Summing up the cotton situation, it looks as if this crop would prove larger than earlier bull estimates, but sooner or later the fact of a big consumption is bound to impress itself upon the trade. Meantime, the farmer and other southern holders must stand in the gap. The farmers are unusually prosperous this year and with cotton seed selling on the basis of $40 per ton or $20 for every bale of cotton, and with large crops of foodstuffs and forage over the whole South, the pressure of "distressed" cotton this season is not likely to be as acute as is usually the case at this season of the year.



Is Billion Bushel Wheat Crop Discounted?

By P. S. KRECKER

STUDENTS of the wheat situation are beginning to wonder whether the market has not discounted the billion bushel crop and is now about to discount in turn the European demand. When the government indicated in its crop report of September that the yield of wheat would approximate 1,000,000,000 bushels the disposition in the trade was to sit back and await a further decline in futures, but that decline did not come. Then came the October crop report in which the government reiterated and amplified its original estimate of the yield and once more the feeling was that the price of wheat had not sufficiently discounted the supply. But once more the expected failed to happen. Wheat values have manifested extraordinary inherent strength and slowly are climbing higher in the fact of the record-breaking crop, until it begins to look doubtful whether wheat will sell as low again as it did when the enormous out-turn was making its deepest impression upon sentiment.

There are several reasons for reaching the conclusion that the market has passed its nadir and is once more upward bound. Consider the congestion in the December position already making itself manifest in a premium for that month. A month ago the December option was at a discount of about one cent compared with May. Now, in spite of the carrying charge, which under normal conditions would entitle May to a comfortable premium, it is actually selling under December. There is sufficient cause for this reversal of the natural order of values in the exceedingly small stock of wheat in Chicago, the big futures market. Stocks of the cereal there are in the neighborhood at present writing of only 1,000,000 bushels compared with about 5,000,000 bushels a year ago and of nearly 10,000,000 bushels in 1913. This is so extraordinary a condition as to deserve close attention. The seriousness of the shortage of wheat in the contract center is accentuated by the fact that scarcely half of the wheat there is of contract grade.

It is already apparent that this scarcity of contract wheat is causing congestion in the December position, and that congestion promises to become more acute as time advances. Conditions in Chicago appear to be on all fours with those which prevailed last September when shorts had insufficient available supplies to make deliveries and a squeeze of the spot month resulted. Extreme measures were taken to relieve the congestion but even then September sold sharply above December and held its premium to the very end of the month.

Technical strength of the market is accentuated also by the extraordinarily small visible supply of wheat in the United States at present writing. This is not only 40,000,000 bushels less than it was last year but is at the lowest ebb reached at the corresponding season of the year since 1898. What renders this condition the more remarkable is the undeniable fact that the movement of wheat to primary market is enormous. Receipts are pouring into the centers of accumulation and yet wheat is not accumulating in anything like commensurate volume.

This apparent mystery is readily solved by a glance at export statistics. Exports are proceeding at record pace. Never before has nearly 14,000,000 bushels of wheat moved out of North American ports in a single week until this fall. The movement is not sporadic but steady, running at an average day after day of a million and a half bushels. Exports out of New York are establishing new high records. The result is that practically as fast as wheat arrives at primary markets it is being shipped out to consuming points. In other words distribution is nearly keeping pace with the movement from the farms. If this rapid distribution is maintained it will only be a question of time before it creeps ahead of

receipts. From present appearance it is quite possible that the visible supply will never catch up with last year's figures. This possibility is receiving careful attention in trade circles because of its bearing on values.

Exporters shipped out 51,000,000 bushels of wheat in October and November promises to exceed that huge total. There is not the slightest question that the great movement of the staple to Europe which has beeh looked for is now under full headway.

Nothing has developed in the European situation to cause any reduction of earlier estimates of consumptive needs. The disposition is rather to increase them. At the moment the entrance of Greece into the war on the side of the Allies appears to be imminent. That would cause immediate cancellation of contracts for Bulgarian wheat which Greece is reported to have made and would compel her to seek the American markets for her supplies.

There is an inclination in some quarters to lay stress upon unconfirmed reports that Russia is opening a new northern seaport which will be virtually ice-free all winter because of the prospect of moving wheat out, the Dardanelles being hopelessly closed. This possible new outlet for Russia's surplus crop may prove to be less important than would appear on first blush. Russia's railway systems are clogged with troop and ammunition trains to such an extent that native food requirements are not being met with the result that famine exists in the midst of plenty and with a goodly surplus of wheat starvation is reported in districts because of inability to move food crops.

The following is considered a conservative estimate of export supplies in wheat surplus countries compared with last year.

Export Supplies

	1915 (Bushels)		1914 (Bushels)
United States	230,000,000		330,000,000
Canada	220,000,000		85,000,000
Australia	70,000,000		None
India	50,000,000		50,000,000
Argentina	120,000,000		100,000,000
Total	690,000,000	vs.	565,000,000

These estimates allow for the loss of about 100,000,000 bushels in the United States through wet weather. They also are lower than popular ideas respecting the Canadian surplus. Nevertheless they are entitled to consideration as approximating the export supply of the world. Russia and the Danubian countries are left out for obvious reasons. They are less than ever a factor in the world's supply.

THE BEARS

THERE is one danger in the present market that most people are overlooking and that is the absence of any short interest. The bears have not only been mercilessly flayed, but the nerve has been taken from most shorts.

A young man was dangling the tape in his fingers when Studebaker was 119, preparing to sell it short at 120 as he thought he knew all about the company, its war business, its motors, its earnings and how the insiders stood ready to slam the stock at anything above 120. He inquired of his broker concerning a little gamble of a 4 to 1 shot and asked concerning the wisdom of selling 100 shares should the price presumptuously reach 120. He figured that he could put a 5-point stop at 125 and possibly cover at 100. His broker advised him to wait a day and soon after telephoned him the price was 130. Before he could muster up courage to sell at 130, the price had crossed 140.

Andrew Carnegie started with nothing and sold out to the Steel Corporation for more than $300,000,000. What would a man have made selling Andrew Carnegie short during his advance in wealth?

This country has been held back since 1907 by political agitation, tariff revision and anti-corporation legislation. Now it is at work and producing and coining wealth at a rate never before attained.—*Adams, in Boston News Bureau.*